EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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THE COMMUNITY
Investment firms at Brussels' mercy
Page 6

World News

Hungarian socialists face battle over leader

The Hungarian Socialist Party (HSP), which will replace the ruling Communist party, faced a battle over leadership, severely testing the compromise reached between radical reformers and conservatives over the weekend. The election of the president is expected today. Page 20

Nigerian parties

Nigerian military leader General Ibrahim Babangida has thrown the country into confusion by creating two political parties to lead the return to civilian rule. Page 4

UDR probes leaks

Ulster police arrested 28 members of the locally-recruited Ulster Defence Regiment (UDR) in a probe into leaked intelligence files. In dawn raids, 300 policemen swooped to arrest the soldiers and seize *ammunition and photomontages of suspects that may have been leaked to loyalist groups.* Page 7

Pope in S Korea

Pope John Paul II, preaching to almost 1m people in Seoul, called for the *reunification of Korea*, saying it symbolised a divided, strife-torn world. *The Pope also expressed* his desire to visit China where millions of Catholics are believed to belong to an underground Church. Page 4

Aquino plan rejected

Moslem leaders urged rejection of President Corazon Aquino's offer of autonomy for 13 southern Philippine provinces.

Indian air crash

Indian jet *fighter pilot* was killed and at least seven people injured when his Mirage 2000 crashed *in flames at Delhi airport during an air force display.*

Rebels end sit-in

Group of 46 wounded Salvadorean rebels ended a five-day occupation of the Mexican *embassy in San Salvador after* asking for asylum and said they were headed for Cuba.

Polisario attack

King Hassan of Morocco has called off a planned second round of talks with Polisario Liberation Front leaders after a big guerrilla attack by the Front against Moroccan defence lines close to the Mauritanian border. Page 4

Gulf pollution threat

Air force helicopters and navy patrols joined search of the Arabian Gulf for drums of a toxic chemical after 11 barrels of inflammable vinyl acetate monomer washed ashore on the Oman coast.

Zambia oil project

Iran's oil minister said Tehran may send experts to Zambia to help in oil exploration.

Latin America talks

Presidents and ministers from eight Latin American nations will meet in Peru this week to discuss drug trafficking, Panama, foreign debt and ecological damage to the Amazon.

Austrian right wing

Austria's right-wing Freedom Party made further gains yesterday, doubling its seats to six in elections in the western province of Vorarlberg.

Nagorno unrest

Armenian and Azeri gunmen attacked each other's villages in and around the disputed Soviet region of Nagorno-Karabakh at the weekend and troops had to intervene, Tass said.

Ghana coup attempt

Details are emerging of a possible attempted coup against the Ghanaian government of Flight Lieutenant Jerry Rawlings by senior officers of the security services. Page 4

Ciga Prix winner

Carroll House, trained by Michael Jarvis at Newmarket, ridden by Irish champion Michael Kinane and Italian-owned, survived an objection and won the Ciga Prix de L'Arc de Triomphe at Longchamp, Paris.

Business Summary

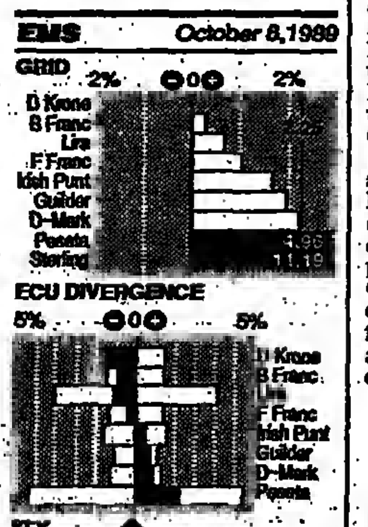
Swiss Banks face action over hidden reserves

SWISS Banks will from next year no longer be able to draw on their hidden reserves to conceal or minimise annual losses.

According to Mr Hermann Bodenmann, chairman of the Federal Banking Commission, directives on the use of the reserves will come into force next February or March.

Banks would have to report allocations from reserves used to cover an annual loss.

EUROPEAN Monetary System: West Germany's 1 point rise in interest rates last week forced corresponding moves from other European countries. The Bundesbank wants a firmer D-Mark and this may be at the expense of the smaller economies in the European Monetary System. The Danish krone and Belgian franc fell close to their alarm bell limits within the system on Friday, encouraging speculation about an EMS realignment. Currencies, Page 36



The chart shows the two constraints on European Monetary System rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU), a basket of European currencies.

SAATCHI & Saatchi, once the most ambitious world marketing services group, is bracing itself for a takeover bid as speculation mounts about its future after its shares soared on the London stock market. Mr Silvio Berlusconi, the Italian media magnate, is mooted as the likeliest bidder.

SOCIETE Internationale Pirelli, Basle holding company affiliated to the Italian Pirelli group, is to raise SFr262.1m ($424m) through a one-for-six rights issue. Page 28

HIMONT, US petrochemicals business controlled by Montedison of Italy, rejected the parent's offer to buy out the 19 per cent minority which it does not own. Himont said independent directors concluded it was "not fair to Himont public shareholders." Page 26

SOUTH Korea: Further pressure on South Korea to liberalise restrictions on foreign goods is likely to top the agenda of talks between Mrs Carla Hills, US Trade Representative, and economics ministers in Seoul. Page 4

CITROEN, French carmaker, has developed a strategy aimed at capturing at least 5 per cent of the UK new car market by 1994 - a two-thirds rise on last year and five times the level of the mid-1980s. Page 5

FUTURES: Much tighter regulation of US futures markets is now certain after publication of Senate proposals which are even tougher than new rules already approved by the House of Representatives. Page 26

CITY of London: Development work on the planned settlement system for the London stock market is in danger of becoming stalled over 11th-hour technical debate about the system chosen. Page 20

RHONE-POULENC, French state chemicals and drugs group, is raising close to $300m through a novel issue of participating shares with warrants. Page 22

DELOITTE Dijker Van Dien, second largest firm of accountants and tax advisers in the Netherlands, defected from the Deloitte, Haskins & Sells international practice to join Coopers & Lybrand, another of the Big Eight multinational firms. Page 22

Honecker keeps hard line as hundreds held in unrest

By David Marsh and Leslie Colitt in East Berlin

THE PROSPECT of further confrontation in East Germany rose yesterday as the leadership maintained its hard line after a weekend of anti-government disturbances in half a dozen cities.

Demonstrations in East Berlin, Dresden, Leipzig, Magdeburg, Potsdam and other centres were quelled by squads of security forces just hours after Mr Mikhail Gorbachev, the Soviet leader, left East Berlin on Saturday evening.

The protests, in which thousands of mainly young demonstrators chanted the name of Mr Gorbachev, represent the most widespread unrest in the communist German state since a workers' uprising in 1953. They compound the problems facing Mr Erich Honecker, the East German leader, stemming from the mass emigration wave of the past six weeks.

An unknown number of people has been taken into custody in sometimes violent clashes which started in Leipzig and Dresden last Monday and Tuesday. More than 500 were detained in East Berlin on Saturday night when the mood turned ugly after 24 hours of parading to celebrate the 40th anniversary of East Germany's foundation.

Unrest has flared in the south of the country in particular after the closing of the border to Czechoslovakia on Tuesday. Mr Michael Mueller, pastor at the Protestant Church of the Cross in Dresden, said: "Preparations for the festivities have been in intolerable contradiction to the mood of the people."

During his 1¼ days in East Berlin for the anniversary ceremonies, Mr Gorbachev voiced public confidence in the East German regime, but dropped hints of impatience about the sluggish pace of reforms.

Statements by Mr Honecker over the weekend, however, indicated no change in policies. The official news agency, ADN, said the unrest in East Berlin took place "in collaboration with the western media."

In apparent reference to political and economic reforms, Mr Gorbachev told Mr Honecker in a private conversation on Saturday: "If we are late we will be punished by life itself." According to Mr Gennadi Gerasimov, the Soviet Foreign Ministry spokesman, Mr Honecker expressed "gratitude" for the information.

Mr Hans-Juergen Fischbeck, a founder of the Democracy Now opposition group, said Mr Gorbachev had not disappointed the opposition by failing publicly to urge reforms. "But if we could get peaceful reforms and genuine stability, it would be in his interest," Mr Fischbeck said.

Worried about being caught in the middle between the Government and an increasingly bitter opposition, Protestant church leaders called for calm.

"We are very concerned about escalation," said Mr Johannes Richter, superintendent of the Leipzig church. Mr Jens Reich of the New Reform opposition grouping also re-affirmed fears of a crackdown.

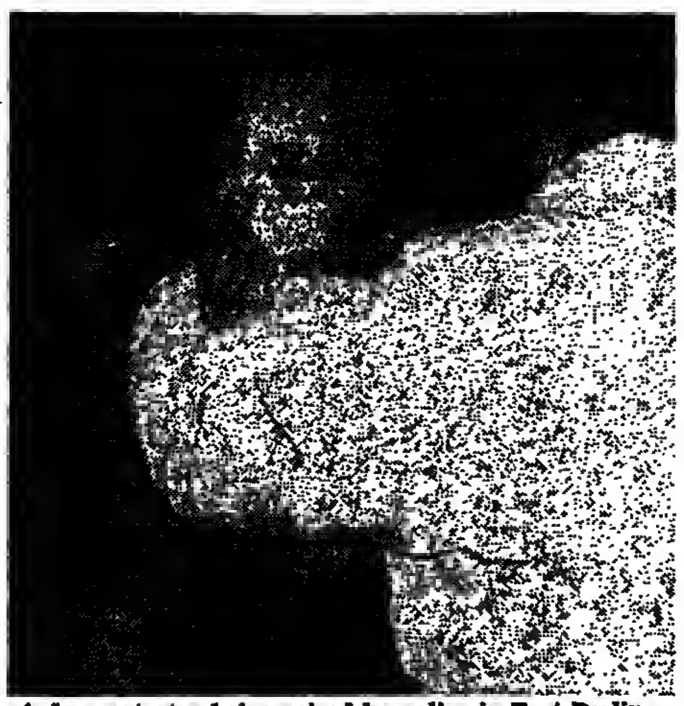
Readers' letters have been sent to Volkszeitung, a Leipzig newspaper, calling on the authorities to restore peace and order in the city centre and to punish "troublemakers" and "subversive groups".

A planned meeting for New Forum in Dresden yesterday was called off after the city authorities said they could not assure protection from the police. The regular prayer session at the Nikolai Church in Leipzig today is to be dispersed over several churches to try to avoid a street confrontation.

New Forum over the weekend urged the 2m members of the country's Communist Party to press for reforms within the organisation, as more people voiced support for the reformist movement.

The disorder in East Berlin on Saturday was ended partly through the intervention of Bishop Gottfried Forck, a leading Protestant churchman. He called on young people to disperse, after police charges forced remnants of the demonstrators to seek refuge in Gethsemane Church.

Dresden's mood of confrontation and propaganda squads, Page 3; Between East and West, Page 19



A demonstrator being seized by police in East Berlin

Latvian call for full independence

By Quentin Peel in Riga

THE LATVIAN Popular Front, a mass movement for national revival, yesterday adopted the most radical programme yet in the Soviet Union's restive Baltic republics, calling for outright political and economic independence as its goal.

At the same time, it was disclosed that economists and other experts in the semi-official movement are already drawing up plans for survival in the case of economic links with the rest of the Soviet Union being cut.

Despite its radical ambitions, the Latvian plan may prove enough of a compromise and sufficiently ambiguous for the republic's tottering Communist Party to be able to tolerate.

It does not demand instant independence, rather an indefinite transition period of effective economic autonomy from Moscow. On the other hand, it still calls for Latvia to introduce its own convertible currency and demands sole ownership of all its lands and natural resources, which should not be subordinate to the Moscow government.

As for the emotional issue of Latvian citizenship, the Front has fought to answer the fears of the 50 per cent non-Latvian population of the republic by saying it would be open to any permanent residents who "unambiguously bind their fate to the Latvian state."

Russian-speaking workers in the republic have repeatedly threatened strikes and other protests to oppose the growing secessionist movement.

The programme will still be hard for the Communist Party to swallow. It flatly rejects the monopoly position of the party and the party's control over education and the mass media.

However, the document was approved by a 1,000-strong congress, almost 25 per cent of whom were members of the ruling party. Moreover, the party is deeply divided between conservatives and radicals and has decreasing popular support, so it may be unable to come out against the Front for fear of alienating what little of its Latvian support remains.

Mr Anatoly Gorbunov, president of the Latvian Supreme Soviet and the only party leader to attend the congress, admitted that it had lost the "political initiative" in the republic.

He would not be drawn on the likely Communist response, although he warned that if the programme was unchanged the Popular Front might lose "those who want to achieve realistic goals."

The position of the Front is more sensitive than that of its Continued on Page 20

US leaders fail to agree cuts in budget deficit

By Peter Riddell, US Editor, in Washington

US CONGRESSIONAL leaders and senior members of the Bush Administration worked throughout the weekend to find a way out of their stalemate over proposals to reduce the budget deficit and cut capital gains tax, so avoiding large cuts in federal spending.

Unless a bill is passed and signed by President Bush by next Monday cutting the deficit in the fiscal year just started to $110bn or less, an automatic sequestration procedure will be invoked. This will mean across-the-board reductions of around $16.8bn in spending on defence and discretionary domestic programmes, excluding social security.

Not only can Congress and the Administration not agree on the scale and nature of required spending cuts and revenue increases, but the whole matter has become tied in with the fierce controversy over reducing capital gains tax.

The affair has also cast doubt on the willingness of the Administration and Congress to take action to cut the deficit and on the statutory targets laid down in the Gramm-Rudman deficit reduction law.

After an unusual Saturday sitting, due to the tight timetable, Congressional leaders were still negotiating yesterday over a deal which would produce a deficit reduction bill by the end of the week and a firm pledge on a date for a later vote on capital gains.

Both sides have been jockeying for tactical advantage, and Senator George Mitchell, the Democratic majority leader, has set a deadline of Thursday for reaching agreement with the Republicans. Otherwise, a deficit reduction bill will be brought before the Senate without a wide array of unrelated provisions added in *committee in both Houses.*

These include not only capital gains tax but also a *far-reaching child care initiative* and changes in "catastrophic" health care - covering, for example, serious accidents - for the elderly. This could lead to a prolonged debate, so some form of sequestration is increasingly likely.

Senator Bob Dole, the Republican minority leader, said: "The major sticking point is to give us a fair shot on capital gains." The Administration and Republican Congressional leaders want a firm date for a Continued on Page 20

Fed backed G7 policy 'after lively debate'

By Anatole Kaletsky in New York

SENIOR OFFICIALS of the US Federal Reserve system had serious misgivings about the new exchange rate policy agreed in Washington by the Group of Seven leading finance ministers. The emphasis of the new policy on driving down the dollar, instead of merely stabilising exchange rates, was seen as dangerous by at least two Fed governors.

But after what appears to have been a lively debate, the Fed's main decision-making committee backed the G7's aggressive stance by 10 votes to 2 in a symbolic vote.

This was one of the two significant disclosures contained in the latest minutes of the Federal Open Market Committee, published in Washington on Friday night.

The second disclosure was that the Fed voted for a tilt towards easier monetary policy at the FOMC meeting held on August 22. Like the vote on currency management, this decision aroused dissent among some Fed hardliners, who argued for a "symmetrical" policy, instead of one biased in favour of lower interest rates.

The two Fed votes, revealed after most trading had closed in the New York foreign exchange and bond markets, could support hopes of an early cut in US interest rates. The debate on exchange rate management could also persuade some investors that the US authorities are more committed than they have been about pushing down the dollar.

Some analysts were arguing over the weekend that the central bank had already started an easing move on Friday, responding both to the weak September employment figures and to co-ordinated interest rates moves in Europe.

US money and credit, Page 28
Angell profile, Page 2

Ferranti share price expected to rise after takeover talks

By Terry Dodsworth in London

SHARES in Ferranti *International Signal*, the beleaguered UK defence company, are expected to strengthen in *London today after talks on an* agreed takeover by an Anglo-French consortium of *British Aerospace and Thom*son-CSF of France.

The talks between Ferranti and the newly organised partnership are expected to spark a period of intense activity as several international defence groups jostle for a position in Britain's defence electronics market. Ferranti says talks are scheduled with about 12 groups aiming to buy either a part or the whole of the company in the next two weeks.

Among these potential bidders is believed to be Emerson Electric, the diversified US group which has some defence interests. Emerson is regarded as among the more serious contenders from the US, where many military electronics companies are preoccupied with reducing costs rather than expansion after the cuts in US defence spending.

The main difficulty for many potential bidders is uncertainty over the extent of the com*pany's problems. Ferranti says* the serious fraud it suffered in a subsidiary, International Signal *and Control*, the US *group* it acquired two years ago, will demand a £185m write-off. It intends to raise £100m of cash through disposals, while seeking a longer term equity deal with an industrial partner for around £150m.

Some industry officials say that these financing requirements, along with unanswered questions over the suspected fraud, put a ceiling of around 70p a share – 11p more than the close on Friday – on Ferranti's takeover price: valuing the group at £524m.

This price is substantially down on Ferranti's high point this year of 113.5p, but the group's leading institutional shareholders are thought likely to accept a deal at this level as long as it is accompanied by managerial changes. The institutions oppose a rights issue, and *have* been *told* by Sir Derek Alun-Jones, the company's chairman, that this *would be a last-ditch option.*

Industry officials see the BAe/Thomson proposal as the *most credible rescue plan* so far, because it involves two big groups with the strength to sort out Ferranti's problems.

At the same time, Thomson has technological strengths in radar which would be useful to Ferranti, while a consortium bid would be more likely to overcome monopoly considerations than an offer by either company alone.

The General Electric Company, Britain's main defence electronics contractor, said yesterday that it was "watching the situation." But while Lord Weinstock, GEC's managing director, met Professor Rowland Smith, chairman of BAe last week, the company believes that it would run into virtually insurmountable monopoly problems if it were to make an offer for Ferranti.

CONTENTS

OVERSEAS NEWS

Military junta leaders included in Argentine general pardon

ARGENTINA'S President Carlos Menem has signed a general pardon for 280 civilians and members of the armed forces, involved in the so-called "dirty war" of the late 1970s, and threa army insurrections between April 1987 and December 1988, Gary Mead writes from Buenos Aires.

The amnesty covers mainly military personnel who have yet to face trial for their actions, but it also includes the three heads of the military junta which led the invasion of the Falkland Islands in April 1982 and eight air force officers serving sentences for having taken brief control of Buenos Aires domestic airport on January 18 1988. The junta members are General Leopoldo Galtieri, Brigadier Basilio Lami Dozo and Admiral Jorge Anaya.

Critics are likely to qnestion whether it is within Mr Menem's constitutional rights as president to extend an amnesty and to criticise him for what they see as bowing to military pressure.

The decrees were also signed by two senior ministers, Mr Italo Luder (Defence) and Mr Antonio Salonia (Education and Justice). It was Mr Luder who, as acting president in 1975, signed the decrees giving the military carte blanche to crack down on left-wing terrorism which had spread throughout Argentina, leading to thousands of deaths.

The pardon excludes six of the most notorious "dirty war" military leaders and one former guerrilla chief, Mario Firmenich, who once led the ultra-Peronist Montoneros. But in announcing the amnesty Mr Menem hinted strongly that they too would benefit in a "second stage" before Christmas.

Leaders of the Mothers of the Plaza de Mayo, who have continued to campaign on behalf of the families of the disappeared, described the amnesty as "a mockery of justice". Mr Menem said the move was necessary for "national reconciliation" and he was prepared to accept the "political cost".

Perhaps the greater risk involves the pardoning of officers involved in army rebellions. Lieutenant Colonel Aldo Rico and Colonel Mohamed Ali Seineldin, the two most well-known rebels, are bound to regard their mutinies as vindicated.

● Last week 13 people were sentenced to life imprisonment in Buenos Aires for their role in an armed attack on a military base in January this year, in which 35 people died. Seven others received sentences ranging between 10 and 20 years.

Most of those sentenced were members of a group known as "Movement for the Fatherland" (MTP), a left-wing organisation which defended the attack on the La Tablada base by alleging that it was to be used as a launching-pad for a fresh military coup against the civilian government.

Several of the accused said they had been tortured during the investigation, and two of their number had been shot by the authorities after surrendering.

Maverick who touted the gold standard to Moscow

By Anthony Harris in Washington

GOVERNOR Wayne Angell of the Federal Reserve is known as something of a maverick; he is a small, outspokeo economist whose ideas reflect his background in the farmlands of Kansas.

He is beet known for his advocacy of a basket of commodity prices as the best target for monetary policy, and it was this idea which intrigued the Russians eoough to invite him to Moscow last month – before they invited Fed chairman Alan Greenspan, who is there now.

Wheo Mr Angell arrived, though, it was not to explain the merits of a commodity-indexed currency, but to urge the Soviets to take a dramatic step, exploiting their one unquestioned asset – enormous official gold holdings, supported by large-scale gold production.

He urged them as a first, rather than a crowning step in reform to "monetise" the Soviet economy – to adopt a gold standard for the rouble, and at once.

In an interview with the FT, Mr Angell explained why he believes that monetary reform is an urgent first step.

"I think they'll have a tremendous upheaval *unless* they monetise the economy first." he said. "I think they are approaching a critical point, and I think they are aware of that.

"The currency black market is quite open. I was speaking to a Gosbank official in English on the street, and people would come up to both of us and try to do a deal of roubles for dollars. It's that blatant. That means that there isn't an option to go back to control and repression.

"I think the rouble shows every characteristic of a hyper-inflation currency. An official at the economics ministry told me: 'Our central problem is bottlenecks'; but I told him: 'No matter how many bottlenecks you eliminate, you are not going to put goods in the stores.'

"Right now, as soon as you open a new box in one of the stores, everybody gets in line. Nobody knows what's in the box, but whatever it is, it's better than money. Tha Soviet people are in flight from their currency. And the longer they wait, the worse the problem will be."

He sees gold convertibility as the only practical way to restore confidence in the rouble.

"At the moment they have no way to get to managed money. There are no commercial banks, so no reserve requirements, no bond market, so no open-market operations. The Gosbank is not a central bank, and does not have central bank powers: all they can do is set an interest rate.

"A gold standard would offer them a path in the transition to managed money. If they went to a gold standard, they could not create roubles. If the state sector needs credit, they would have to issue gold-backed bonds. That would impose some discipline.

"The higher price you set for gold, the more bonds you could issue; so my guess is that the Soviets would be tempted to err on the side of a high price."

Gold bond finance would offer a manageable way to buy time for eliminating the huge Soviet fiscal deficit, which he believes may be as high as 18 per cent of gross domestic prodnct, since credible gold convertibility would command a low interest rate at home and in international markets. He cites the 2 per cent yield on gold mine debentures.

Mr Angell also believes gold convertibility would sterilise the well known "monetary overhang" in the Soviet economy – a problem he believes is overstated. He estimates that it is split between 100bn roubles of cash, and 300bn in savings accounts, which represent a place in the queue for cars and housing – claims which are unlikely to be liquidated.

"They are doing a lot of courageous things, and I want them to work. It would be a tragedy if they didn't."

Russian gloom in Vermont fall, Page 23

US commander 'authorised to remove Noriega'

By Peter Riddell, US Editor, in Washington

MR JAMES Baker, US Secretary of State, yesterday confirmed that the US military commander in Panama had been authorised to remove the country's strongman, General Manuel Noriega, if it could be done "without risking bloodshed, significant loss of American life, and without open military involvement."

Mr Brent Scowcroft, the President's National Security Adviser, said President George Bush had given the authorisation, but it was never carried out, because the coup attempt in Panama last Tuesday collapsed first.

The Bush Administration has been forced increasingly on the defensive over its handling of the failed coup attempt against Gen Noriega, after further embarrassing disclosures at the weekend about confusion in White House decision-making. Both Mr Baker and Mr Scowcroft were yesterday unusually ill at ease concerning an affair which has resulted in sharp criticism from Congress over a lack of adequate preliminary planning and muddles in execution.

The episode has resulted in recrimination within the Administration and has dented the carefully cultivated image of President Bush and his advisers for managerial competence, especially on foreign affairs issues.

There has been widespread agreement with the comment of Senator Sam Nunn, Democratic chairman of the Senate armed services committee, that sometimes the Administration should "be prepared for our policies to succeed." This follows disclosures that the Administration had never fully planned what to do in the event of a coup against General Noriega, a goal it has been seeking for nearly two years.

The Administration apparently did not decide until last Monday, after receiving advance notice of the coup attempt, that the rebels would have to offer a declaration of democratic principles and appeal for international backing to receive US support.

Mr Scowcroft repeatedly stressed that the rebels did not ask for US help, nor did they offer to hand over General Noriega, as conservative Republican Senator Jesse Helms has alleged.

Mr Scowcroft blamed the "fog of war" for the uncertainties during the crucial period on Tuesday. He added that US forces had responded to a prior rebel request to block a causeway and a bridge which were easy to isolate and they had not blocked another road in the heart of a heavily populated area.

There is friction between the Administration and some members of Congress who are arguing that tougher action should have been taken. In a pointed disagreement with Senator David Boren, the Democratic chairman of the Senate intelligence committee, Mr Scowcroft said the Administration had not got everything it wanted from Congress in relation to intelligence activites concerning Panama.

Senior members of the Administration – including also Mr Richard Cheney, the Defence Secretary, and Mr John Sununu, the White House Chief of Staff – have conceded that procedural and organisational weaknesses have been exposed which need to be corrected.

Mr Baker stressed that the US would still use all the means at its disposal to see Gen Noriega out.

Canadian ex-minister to be governor general

By David Owen in Toronto

MR RAMON Hnatyshyn, a former Conservative MP and cabinet minister, is to replace Ms Jeanne Sauvé as Canadian Governor General. His appointment, ending a long search, will take effect in January.

A Saskatchewan-born lawyer of Ukrainian descent, Mr Hnatyshyn lost his seat in last November's general election.

As Justice Minister from 1986-88, he was known principally as the Mulroney government's prevaricator-in-chief on the thorny abortion issue. He accomplished this task with consistent good humour and verbal dexterity.

Before that, he had served as House leader and as Minister of Energy in Mr Joe Clark's short-lived Conservative administration.

Mr Hnatyshyn will travel shortly to London to meet the Queen. As her representative in Canada, he will be responsible for giving the Royal Assent to all legislation passed by Parliament, and for asking the party leader best placed to do so in the wake of a general election to form a government.

WORLD ECONOMIC INDICATORS

UNEMPLOYMENT

	Sept '89	Aug '89	July '89	Sept '88
W Germany 000'e	2,001	2,010	2,025	2,230
%	7.8	7.8	7.9	8.6

	Aug '89	July '89	June '89	Aug '88
UK 000's	1,741	1,771	1,743	2,291
%	6.1	6.2	6.1	8.0
Japan 000's	1,410	1,390	1,380	1,590
%	2.3	2.2	2.2	2.8
US 000's	6,421	6,497	6,561	6,797
%	5.2	5.2	5.3	5.6
Belgium 000's	370	367	345	395
%	10.2	10.6	10.2	11.4

	July '89	June '89	May '89	July '88
Netherlands 000's	388	376	387	413
%	6.3	6.1	6.3	6.7
France 000's	2,547	2,526	2,517	2,614
%	9.6	9.5	9.5	10.1
Italy 000's	3,870	3,860	3,878	3,770
%	16.5	16.5	16.6	16.1

Source: (except US, UK, Japan) Eurostat

SHIPPING REPORT

Rates up in active market

By Kevin Brown, Transport Correspondent

TANKER RATES moved ahead in a fairly active market last week, brokers said.

In the Middle East Gulf, large ships continued to be in demand, and one big London charterer was reported to have fixed a vessel of 250,000 tonnes from Kharg to the West at world scale 49.

However, many owners were accepting lower rates for short voyages to the Red Sea or Singapore, apparently in the hope that the demand for longer trips would rise still further next month.

As a result of this trend, Exxon was able to fix a cargo of 250,000 tonnes from the Gulf to the Red Sea at world scale 48.

Far Eastern charterers were said to have been active, and brokers forecast an improvement in the Middle East Gulf-to-Japan trade this week for very large crude carriers.

Galbraith's, the London broker, said the highest rate paid so far in this trade was world scale 56.5 for a vessel fixed to load 220,000 tonnes on October 20.

The market for ships in the 80,000-tonnes class was also firmer. BP was said to have concluded two vessels from the Gulf to Australia at world scale 157.5 and 162.5.

Elsewhere, the West African market perked up, and up to 20 fixtures were reported to have bean concludad. Rates improved to a level where ships capable of carrying 1m barrels were being fixed at up to world scale 85 to the US.

There was less activity in the North Sea, where cargoes of 80,000 tonnes were being fixed for the short voyage from the UK to the Continent at below world scale 100.

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OVERSEAS NEWS

Police keep Dresden's mood of confrontation firmly under control

By David Marsh in Dresden

"The people's festival is over," the truncheon-swinging East German policeman said, firmly but politely blocking the entrance to the besieged Dresden railway station just before midnight on Saturday.

Around him in a bid to control the mood of violent confrontation which gripped East Germany on its 40th anniversary, stood phalanxes of nervous looking riot police and soldiers.

Water hoses laid ready to repel demonstrators. Opposite the station, Prague Street, scene of forceful action by the security forces on Friday night, was sealed off by riot police. The barking of their Alsatian dogs echoed into the night.

Saturday night's unrest started with a column of between 5,000 and 10,000 people of all ages marching resolutely through the Dresden city centre.

It was the fifth consecutive night of disturbance in Dresden, according to Mr Michael Mueller, priest at the Protestant Church of the Cross in the city centre.

"The police have become more brutal every evening," he said "The police and security services in this country have great power, without the elected representatives of the people having any influence," he said.

The young people shouted: "Gorby, Gorby," urging reform policies similar to those of Mr Mikhail Gorbachev. They cried the name "New Forum," the new amorphous opposition movement. And they chanted: "We are staying here."

Unlike the first demonstrations in Dresden on Tuesday by East Germans seeking permission to emigrate after the border to Czechoslovakia was closed, Saturday's protesters are intent on staying in East Germany.

One young Dresden medical doctor, who was not on the streets, but strongly desires reform, said: "I want to stay here, with my friends, my home, my job. Leaving is not the way to solve problems."

The mass police presence on Saturday was designed to deter the aggression seen by demonstrators earlier in the week. Saturday was the first time that large contingents of the People's Army – mostly young recruits – were out in force.

According to witnesses, the security forces moved in during the evening on a group of youngsters at Pirna Plaz and dispersed them with tear gas and water cannons.

"I was shocked by the police presence," said one young girl medical student.

Passers-by shouted "KGB" as military lorries rumbled along the rain sodden streets beneath the floodlit splendour of the city's rebuilt baroque edifices. Local people said it reminded them of pictures of the riot squads occasionally brought in to quell demonstrations in West Berlin – images frequently shown on East German television.

No figures are availabe for the numbers of injuries and arrests over the five days. One young soldier helping to guard the bridge over the Elba said venomously that any queries should be addressed to the Interior Ministry.

Mr Peter Zweinert, a church lawyer, said that on Friday evening, "police hit indiscriminately at small groups." He himself collected a club blow on the head.

Mr Müller, relaying the account of an eye witness who lives in one of the Prague Street apartments, said that on Friday, people were kicked as they lay on the ground.

One young policeman, asked by a bystander why he was acting so brutally, said special forces had been brought in from the city of Halle. The young man said he had been threatened with five years in a military prison unless he obeyed orders to repel the protesters, Mr Müller said.

Earlier on Saturday evening, speaking to a packed congregation of 3,000 in the Church of the Cross, Mr Christof Ziemer, the senior church priest, summed up the dour mood. He said that "growing unrest in the population" had contributed to the violence.

He called for "cool heads and resistance to the temptation to use force." He declared: "We pray for this town when the night of fear arrives . . . we pray for the wounded on both sides, and for those in jail."

Outside the church in the old market square, the town authorities had mounted a "People's Fair" of amusement and stalls specially for the anniversary. A miniature windmill turned wildly in the wind.

On Saturday in Dresden, no one was celebrating.

Propaganda squads take to the streets

By Leslie Colitt in East Berlin

ONLY a few hundred yards from one of the largest demonstrations in East Berlin since the 1953 uprising, a slightly inebriated young worker harangued a young party ideologue sent to speak with the "masses" milling on Alexanderplatz.

"You know what you can do with all your plans," the worker said. "Supposedly we fulfil them six times over but nothing gets produced. The new project where I work in Finow hasn't even been started and it's already going according to the plan. What is this, a fairy tale?"

The party stalwart gazed calmly at the excited young man and suggested that he talk with his local representative of the Free German Trade Union about the problem.

"Oh, man," the worker said, shaking his head. "You people still don't understand what's going on."

The party, anxious to demonstrate that it was conducting a "permanent dialogue" with the population, had sent teams of young "propagandists" on to the vast square late on Saturday afternoon.

The debaters were surrounded by hundreds of curious citizens who in turn were suspiciously eyed by groups of plain clothes security officials and guarded by knots of policemen.

This was the orthodox leadership's way of paying token respect to glasnost.

Nearby hundreds of young protesters chanted their support for Mr Mikhail Gorbachev's glasnost and called for "freedom."

The Soviet leader, however, remained inside the sprawling white marble and smoked glass Palace of the Republic where the East German leadership and its guests were celebrating the country's 40th anniversary.

A few hours later – Mr Gorbachev had departed for Moscow – several thousand demonstrators were set on by policemen and plain clothes security officers.

Dozens of demonstrators were injured and more than 500 young people were hauled away in People's Army trucks to detention centres.

On Alexanderplatz, though, the Socialist unity (Communist) party presented its most reasonable, conciliatory face. If the oppositon demanded that the party conducted a dialogue – well, here it was.

There was no need for young people to take to the streets and in fact only "anti-Socialist and subversive elements" did so. The party was always ready to listen to the genuine concerns of its people.

A long-maned, bespectacled young East Berliner was telling an earnest young party disciple that everyone knew the economy was speeding ahead, "like a rowboat full of holes" but that Neues Deutschland, the party newspaper, carried more success stories than even Mr Honecker could swallow.

"It's all lies, you know it and I know it," the young man said. "At home when I turn on my warm water tap or cold water tap the same thing comes out – cold and rusty," he said.

The party man nodded with apprent concern. "I know, I lived in Ryke Strasse too," he said.

By now the protest marchers had reached Prenzlauer Berg district and were calling on citizens leaning out of their windows to join them.

Some did, others shouted encouragement but most merely smiled and nodded as if to say they knew little would come of it.

In a tense calm of yesterday morning a young woman strolling with her boyfriend in Leipziger Strasse, said she could not understand why these young people had demonstrated.

"Did you notice how well dressed they were, all stylish. Most of them probably drive Mazdas," she said scornfully.

An elderly man near Frankfurter Allee, the scene of mass demonstrations in the 1953 uprising, when it was called Stalinallee, recalled that young people had fought police in pitched battles during East Germany's anniversary in 1977.

"Where did it get them?" he asked, shrugging shoulders.

The budding opposition, which had urged young people not to demonstrate was split into half a dozen groups. Some were backed by the Protestant Church while others were opposed to the "clerics."

Opposition leaders were at a crossroads. They could either close their ranks and try to harness the anger and frustration of young people or risk losing all influence over them.

East German policemen try to stop demonstrators from moving to the Parliament building in East Berlin where a celebration was being held to celebrate the 40th anniversary of the GDR. Several hundred young people took to the streets to demand democratic reforms. East German Protestant Church sources said riot squads detained up to 700 demonstrators. Between 80 and 100 people were injured. There were similar protests in other East German cities. West Germany said it was distressed about the violent suppression of demonstrations. Deputy Government spokesman Dieter Vogel said that Bonn noted "with great distress and deep grief the depressing events accompanying the 40th anniversary of the GDR." Mr Vogel said Bonn "appeals urgently to the responsible authorities in the GDR not to meet peaceful demonstrations for more civil freedoms with police units but with understanding

Radicals bargain hard as Budapest forges its future

By John Lloyd and Judy Dempsey in Budapest

HOW did Hungarian communism finally get to be Hungarian socialism? In smoke-filled rooms, mainly. Through deals and compromises, threats and cliff-hangers, shouting and pleading. Good early signs of democratic practice.

On the eve of the party congress last Thursday night, many of the 1,288 delegates gathered in the party's electoral headquarters on Budapest's Vilanyi Street for an early test of the strength of the various platforms into which the party is split.

The largest of these were the Reform Circles (radical reformers) and the People's Democracy (more moderate reformers). Also carrying considerable strength were the more hardline Alliance for the Renewal of the Party, Equal Rights for the Regions and the Youth Platforms.

The long meeting showed clearly by its end that the radicals, who include Mr Imre Poszgay and Mr Miklos Nemeth, two of the four-man leading group, had at most 30 per cent of the delegates, that the party President, Mr Rezső Nyers, a third member of that group, was hesitating and that most of the delegates were wavering and confused.

Mr Nyers gave the first substantive speech on Friday morning. It was the speech of a man dedicated to change: "The people of the country want constitutional guarantees." Concerned to carve out a centrist position, he criticised the hardliners, but obliquely packed the label of "messiah" onto Mr Poszgay.

Mr Károly Grósz, the party general secretary, fourth of the top leaders and swept by the winds of change into the hardline camp, gave a very measured endorsement to reform, slamming Mr Poszgay for using "Stalinist tactics dressed up in new language," and talked about the need for party "renewal" – a formula which was to prove significant.

Mr Poszgay himself gave a poor, rambling speech, calling for a new Hungarian Socialist Party only in the last minute.

That night, some 600 delegates went back to Vilanyi Street for another sulphurous session. It was a tough. The radicals, frustrated by delay and by what they saw as Mr Nyers' temporising, threatened to declare the new party there and then – a line supported by Mr Nemeth, the Prime Minister. Mr Poszgay appeared more cautious; the meeting broke up in the small hours, with all unclear.

The Saturday morning congress, in session by 8.30, was much more tense. The first speeches in the hall were coded despatches from the battle fronts outside. But the forces for possible compromise had become clear and in rooms far away from the hall in the Novotel conference centre, and under the tutelage of Mr Janos Kovacs, a deputy Foreign Minister and chairman of the steering committee, leading members of the two biggest platforms had begun to cut a deal.

None were the top leaders, but were close to them. For the Reform Circles, Messrs Attila Agh, Ferenc Kosa, Csaba Vass and Ivan Vitanyi, for the People's Democracy, Andras Bard, Bela Sabry, Janos Gonci and Tamas Krausz. These men were the architects of the new party's founding statement.

The critical difference was not reform as such. It was the party's past and its future. First, how far should it be a wholly new party, how far a renewed party, and second, how many people from the old party should it try to carry with it?

For most radicals, it had to be wholly new and if many did not wish to come with them, then that was only proof that the past had been left behind, allowing the electorate to be faced more confidently.

It was on the issue of the "new" versus "renewed" party that, early on Saturday afternoon, with conference suspended, the dealing almost broke down. Finally a form of words – "newly created party" – bridged the gap.

By 6 pm on Saturday the document was voted through by 1,005 votes to 159 with 38 abstentions and the new party formally born.

Babangida sows confusion by disbanding parties

THE Nigerian military leader, General Ibrahim Babangida, has thrown the country into confusion by creating two political parties to lead the return to civilian rule, Reuter reports from Lagos.

Gen Babangida said in a nationally broadcast speech on Saturday that none of 13 political parties tendering for recognition would meet his government's criteria for returning power to civilians in 1992.

He said he was scrapping all the proposed parties, partly because of their ties with old power structures, and creating "one a little to the left and the other a little to the right of the centre".

Analysts believe Gen Babangida and the military are serious about restoring democracy in 1992, although the latest move has created confusion.

Nigeria, black Africa's richest and most populous country, has had two civilian governments and five military coups since independence in 1960.

Gen Babangida insisted during his hour-long speech: "It is uncharitable to insinuate that this military government does not want to go. It is already going. We shall go."

The political parties he disbanded were taken by surprise.

"It came to all of us in a manner that was not expected," said Mr Kola Balugun of the People's Front of Nigeria. "Nonetheless, our immediate reaction is to remain law-abiding. The good intention of the government must be appreciated." Gen Babangida said none of the associations which applied for registration met "our vision of a new political order".

He said they were offshoots of previous parties whose ethnic and religious manoeuvring and election-rigging led to the disintegration of the last civilian government, forcing the military to seize power in 1985.

The Government will sponsor the two new parties, the Social Democratic Party and the National Republican Convention, and provide each with a constitution, symbol and manifesto, to be prepared in two weeks by the National Electoral Commission.

The aim was to stimulate the growth of a new political order from the grassroots, Gen Babangida said.

He acknowledged that the Government was likely to be criticised for imposing a political structure but added: "If there were much easier but more enduring solutions we would have preferred such."

Western diplomats say Nigerians remain attached to civilian democracy and Gen Babangida is under pressure to keep the transition on schedule. "My strong impression is that indefinite military rule would never be accepted by any substantial number of Nigerians as something to be regarded as normal," Mr Brian Barder, the British High Commissioner, said.

Ivory to dominate debate on survival over profit

William Dullforce previews a conference of the world body which regulates trade in wildlife products

SHOULD THE human race ban all trade in endangered wildlife and rare plants or should it try to design management programmes in which the profit motive forms the basis for conservation? The question is more than philosophical.

The answers provided by some 800 experts from governments, conservation and environmental groups meeting in Lausanne during the next two weeks will have a direct impact on the chances of survival of some hundreds of animal and plant species and on an international trade in wildlife products, which according to US estimates amounts to between $4bn and $5bn a year.

The occasion is the seventh biennial meeting of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (Cites), which has now been signed by 103 governments.

Mr Eugène Lapointe, its Canadian secretary-general, predicts that it will be the most important conference since Cites was founded nearly 15 years ago. It is also likely to be the most controversial. He may face calls for his resignation.

Argument – and media attention – will focus primarily on the African elephant and the international ivory trade which one US estimate puts at around $1bn a year, in both its legal and illicit form.

But the conference will also handle some 160 proposals, calling for action on a constellation of species ranging from the South American caiman, the North American black bear, the Indian rat snake and the edible Pacific fruit bat to wild slipper orchids and humble snowdrops.

Cites operates a system based on lists, known as appendices, and export permits issued by states. Appendix 1 covers all animals and plants threatened with extinction, for which trade permits can be issued only under exceptional circumstances. Appendix 2 includes species

Middlemen say the price of ivory has halved since last May, but the message may not have reached the guys who pull the triggers

which could be endangered if trade in them is not controlled by the issue of permits. At the biennial meetings the appendices are updated and adjusted.

Run by a small secretariat of 20 people from Lausanne, and with a current budget of $3m a year, Cites has notched up some considerable successes. It can take credit for the survival of the African rhinoceros, hunted and almost decimated because of the supposedly aphrodisiac properties of its horn.

Nevertheless, some conservationist groups are challenging what they regard as too close collusion between the secretariat and the trade associations representing the businessmen. Their concern lies at the heart of the dispute over how to handle the ivory trade. Disagreement extends to the results of the African elephant conservation strategy Cites has been pursuing since 1986. This is based on a system of annual export quotas and the registering, marking and tracking of all tusks entering the market.

The legal trade in raw ivory has dropped from some 800 tonnes in 1985 to 176 tonnes last year, according to preliminary estimates.

Hong Kong, the turntable for trade in worked ivory, clamped down last year on imports of semi-worked ivory blocks, largely from the United Arab Emirates, which were eluding the control of Cites.

Middlemen in Zaire reported in August that the price for ivory tusks had halved since May. But Mr Richard Luxmoore of the *Wildlife Trade* Monitoring Unit in Cambridge remains unconvinced that the price message has worked its way back to "the guys who pull the triggers".

He is concerned about the 280 tonnes of stocks which moved into Singapore before that country joined Cites, thereby legalising the stocks, about a similar rush of stocks into Burundi before its recent accession and about reports that two big Hong Kong dealers have started to operate from Congo.

Gambia, Kenya, Somalia and Tanzania are asking the Lausanne conference to ban the ivory trade completely by moving the African elephant from Appendix 2 to Appendix 1. Botswana, South Africa and Zimbabwe are opposing a ban, arguing that their wildlife management has succeeded in enhancing their elephant populations to a point where they can be culled and support a legal ivory trade.

Conservationists claim that the population data from Zimbabwe and Botswana include double counting on elephants that move across their border. They also argue that a legal ivory trade helps traders to "launder"

There is a strong lobby for a total ban on the ivory trade, with supporters claiming a legal market helps poachers launder their products

poached ivory onto the world market. The US and the European Community recently banned ivory imports. Britain faces a row with Hong Kong over its decision to back the ban. Japan, whose heavy demand for ivory products has been an incentive for poaching, has been "performing perfectly", according to Mr Lapointe.

Herein lies the rub for the conservationists. The initial finance for the Cites ivory unit came from the ivory division of the Japan General Mechandise Importers' Association. The association and other trade groups contributed about two-thirds of the funding for the unit between 1986 and 1988.

Conservationist groups put up less than 10 per cent. For Mr Lapointe, the son of a game warden and a hunter turned conservationist, Cites' ties with professional trading associations form one of its achievements.

"If we are convinced a species cannot sustain exploitation, we go for a ban, as with the rhinoceros. But the secretariat's philosophy has been to develop management programmes, in which economic activities form the basis for conservation," Mr Lapointe says.

He can cite two successes. In 1986 the ban on trade in the South American vicuna, a smaller relative of the Andean llama, was eased to allow for the shearing of live animals and the production of fine vicuna wool cloth.

The vicuna population had been reduced to 12,000. Today there are 10 times as many and the animal is a source of income for some of the world's poorest mountain dwellers.

In 1987 Cites launched a programme to control trade in the skins of the Central and South American caiman, a member of the crocodile family.

The caiman was threatened by an estimated $300m annual trade, under which 1.5m skins a year were exported illegally.

Venezuela is now exporting 150,000 tanned and tagged skins of mature caimans in a legal trade, presaging the development of caiman ranching on many private estates. Similar projects, funded by the EC, US and Japanese governments and by 12 trade associations and companies have been started in southern South America.

Ghana 'coup plot' arrests

By William Keeling in Accra

DETAILS are emerging of a possible attempted coup against the Ghanaian Government of Flight-Lieutenant Jerry Rawlings by senior officers of the security services.

This latest attempt to overthrow the regime, which itself seized power on December 31, 1981, is believed to have taken place on September 24 and to have involved insurgents in the strategic towns of Ho, Kumasi and Takoradi.

The public announcement of the arrest of "five personnel of the security forces in connection with their alleged involvement in activities which could have compromised the security of the state" has given credence to rumours that have been circulating for 10 days.

Two senior officers, Squadron Leader Akakpo and Major C K Quarshigah, were allegedly involved. The latter was previously regarded as being very close to Flight-Lt Rawlings. Last week Lieutenant-General Arnold Quainoo was removed as commander of the armed forces, with Flight-Lt Rawlings taking direct control.

Hassan cancels talks as Polisario mounts offensive

By Francis Ghilès

KING Hassan of Morocco has called off a planned second round of talks with Polisario Liberation Front leaders after a large-scale attack by the guerrillas on Saturday against Moroccan defence lines close to the Mauritanian border.

The most intensive fighting in more than a year has resulted from the latest offensive by Polisario, which has been fighting Moroccan forces since 1975 for control of the former Spanish colony of the Western Sahara.

Coming a week after a smaller attack against Moroccan lines further north, Saturday's fighting confirms that the peace efforts initiated in August last year, by Mr Javier Pérez de Cuéllar, the UN Secretary General, are facing considerable difficulties. Last June the Moroccans refused a Polisario offer to release 200 of the estimated 2,000 Moroccan prisoners it holds.

King Hassan has emphasised that while he was always willing to receive "wayward subjects", his meeting last January in Marrakesh with Polisario envoys in no way constituted "negotiations".

The Front's leaders naturally dispute this point, but their position has been weakened by the disagreement which surfaced at the congress they held last April.

Since then, one of Polisario's best-known leaders, Mr Omar Hadrami, who had represented the Front in North America, has switched allegiance to Morocco.

US envoy to revive peace move

By Tony Walker in Cairo and Peter Riddell, US Editor, in Washington

A SPECIAL US Middle East envoy was expected in the region in the next few days on a mission to rescue faltering peace moves after Israel's rejection last Friday of an Egyptian initiative to bring together Israelis and representative Palestinians.

Mr Dennis Ross, a senior State Department official, was expected to visit Egypt and Israel, and possibly Tunisia, site of the Palestine Liberation Organisation headquarters.

Cairo had offered to host talks between Israelis and Palestinians, including representatives from outside the West Bank and Gaza, on Israeli-proposed limited autonomy elections for the territories. The US had backed the initiative.

Labour ministers in Israel's 12-member inner cabinet supported the Egyptian initiative, but the six Likud ministers were able to block acceptance.

Egypt and other Arab moderates are now likely to step up pressure on the US to use whatever leverage it might have with Israel to persuade it to reconsider its refusal to talk to representative Palestinians.

The US Middle East strategy under the Bush Administration has been aimed at quietly prodding parties to the dispute towards direct talks with each other. But for the moment, it seems, passive US diplomacy has foundered on the rock of Likud rejectionism.

Mr James Baker, the US Secretary of State, revealed yesterday that he had spoken by phone several times with the Egyptian and Israeli foreign ministers "working with language to try and bridge the gap between Israelis on the one hand and Palestinians on the other. We're going to continue to work to see if we can put this together. We are very actively involved." He said there was "still some chance that we can work with the Shamir elections proposal". He did not think that the Israeli Cabinet vote meant that "things are dead in the water".

Mr Baker said a message had been sent to the Israeli and Egyptian governments which indicated a US willingness to become involved directly to help tackle the question of who would be the Palestinian representatives in the negotiations.

He stressed this was not a separate or competing proposal, but was intended to take forward the plan of Mr Yitzhak Shamir, the Israeli Prime Minister.

Pope calls for Korean unity

By Maggie Ford in Seoul

THE POPE yesterday called for peace and unity on the Korean peninsula, describing it as a symbol of the confrontations in ideology which have brought pain to many countries in the world.

Addressing a crowd of 750,000 Roman Catholics in Seoul, he prayed that all Koreans would be reconciled in mutual trust and respect. The two Koreas, divided since 1948, remain one of the last outposts of the Cold War.

The Pope was visiting South Korea to attend the 44th Eucharistic Congress, an international gathering of Roman Catholics. An invitation to the meeting from Cardinal Stephen Kim Sou Hwan, the South Korean primate, to a group of North Korean Catholics was not answered.

Greeks set for new poll on November 5

By Kerin Hope in Athens

THE Greek President, Mr Christos Sartzetakis, is expected to appoint e caretaker government this week to prepare for e new election on November 5, following the resignation on Saturday of the interim conservative-Communist coalition government.

The ontgoing Prime Minister, Mr Tzannis Tzannetakis of the conservative New Democracy party, *said the coalition*, formed in July after an inconclusive election, had fulfilled its task of *catharsis*, or cleaning up Greek political life.

Parliamentary investigations resulted in a vote to send Mr Andreas Papandreou, the former Socialist Prime Minister, *and five of his ministers for* trial for alleged involvement in a banking scandal, illegal telephone tapping, and a fraudulent grain deal.

But judicial proceedings are likely to be delayed by the election campaign, and the hearings are not expected to start *this* year.

After Mr Constantine Mitsotakis, the New Democracy leader, turned down the President's offer to form a government, the mandate was passed to Mr Papandreou, who has been trying to persuade the Communists to participate in a *left-wing coalition*.

But Mr Harilaos Florakis, tbe Communist leader who heads the Left Alliance, repeated earlier refusals to join the Socialists.

He said he too would decline tbe mandate when his turn comes tomorrow, opening the way for *Mr Sartzetakis* to name a senior judge as caretaker premier.

Mr Papandreou, 70, rejects the charges against him.

Fiat hearing erupts into political cause célèbre

By John Wyles in Rome

THE ettempt to prosecute Mr Cesare Romiti, Fiat's managing director, and three top managers of the group, erupted into an angry political and legal *cause célèbre* at the weekend *after the intervention of the* state prosecutor for Turin.

The court hearing in Italy's car capital was adjourned *sine die* after Mr Silvio Pieri, the procurator-general, filed a High Court request that the case should be heard outside the city on grounds that it *posed a threat to public order*.

Coincidentally, the defendants' lawyers reqnested a change of magistrate for the hearing on the grounds that Mr Raffaele Guariniello was also the prosecntor who decided to bring the case against Mr Romiti and his colleagues.

The postponement of the hearing – perhaps for months – sent the Communist Party and left-wing union leaders into disbelieving rage.

They claimed that the last *case* to be *moved out of Turin* on pnblic order grounds,in 1972, also involved Fiat and that the company was determined "to avoid at all costs a court case in 'its' Turin".

The challenge to the magistrate caused less surprise and could be settled in a month. *Completing the sense of a* revival of old feuds is the fact that it was Mr Guariniello who brought the case against Fiat in 1972, over its compiling of personal files on employees, which was eventually moved to Naples.

Mr Romiti and his colleagues *have* been *charged* with breaching an article of the 1970 "Workers' Charter" by operating a company health service in which Fiat doctors, instead of public doctors, have been deciding how long employees *suffering minor injuries may* be off work.

The Turin state prosecutor, Judge Pieri, argues that the case is being exploited by the Communist Party and the Communist-dominated Cgil union confederation in aid of their campaign that Fiat has *been repressing union rights* in recent years. He adds that the Cgil has raised the threat to public order by threatening to mobilise protests against the company in e climate in which provocative leaflets have been distributed in Turin. These take Fiat managers' guilt for *granted*.

Italy gambles on fiscal policy

By John Wyles

ITALY'S decision not to take part in the general move last week towards higher interest rates in Western Europe has been generally welcomed by industrialists.

Bnt it leaves the Government gambling heavily on fiscal policy as the main dampener of domestic demand.

Mr Guido Carli, Treasury Minister, said that, like West Germany, Italy needed to cool domestic demand.

However, the Government believed this could be achieved by its 1990 budget proposals, rather than by higher interest rates.

"We are convinced excess demand is being fed by the pnblic deficit. Consequently, the instrument we must use is that of containing the deficit," he said.

The 1990 budget which has just been sent to parliament aims to cut L20,000bn (£9bn) off the deficit to achieve a public borrowing requirement of L130,000bn or 10.4 per cent of GDP, against a forecast deficit of 11 per cent this year.

There are two undeclared reasons for leaving the Italian discount rate at the 13.5 per cent fixed last March.

One is that a further one point rise would npset next year's bndget strategy by adding around L10,000bn to the costs of servicing the Government's outstanding debt.

According to Mr Carli, the debt would pass from 97.5 per cent to 100.5 per cent of GDP next year.

The second motive for not following the Bundesbank's lead is the hope that the value of the lira may now fall against the D-Mark.

West Germany is Italy's most important trading partner and the strengthening this year of the lira by around 3 per cent against the D-Mark has bronght complaints from *industry of declining competi*tiveness while the trade deficit has been deteriorating.

The Treasury and the Bank of Italy were also encouraged to stand put last week by signs of a weakening of inflationary pressures.

However, *independent* economists are sceptical about the budget's targets of a 4.5 per cent inflation rate next year and of 3.5 in 1991.

EC protest to Austria over lorry clampdown

By Ian Davidson in Paris

THE European Community is to make urgent representations this week over Austria's *planned clampdown on* noisy lorries.

A meeting of the Community's Transport Council has delegated its current president, Mr Michel Delabarre, French Transport Minister, to fly to Vienna this week, to press the Austrian authorities to relax their *planned* curb on lorries producing more than 80 decibels of noise.

Delabarre: flying to Vienna

The new environmental restrictions would prevent noisy lorries from operating on main roads in Austria between *10pm and 5am, and are* to come into effect on December 1.

French officials say the restrictions would exclude virtually all trucks over 15 tonnes.

The transport ministers have expressed "serious anxiety" over the planned restrictions.

They have said the curbs "could not fail to have very restrictive effects on traffic between the north and the south of Europe."

Investment firms at mercy of single-passport talks

Richart Lambert reports on efforts to extend rights in EC securities trading to non-banks

THOUSANDS of UK investment firms which have just got through the hoops of the Financial Services Act will soon have to brace themselves for another regulatory hurdle: the European Investment Services Directive. If talks now under way in Brussels turn out badly, the directive could put many out of business.

The aim of the proposed directive is to give a passport to any firm authorised to do business in one member-state, which would allow it to trade or set up a branch in any other part of the European Community without need for further approval. The proposals complement those in the Second Banking Directive, which among other matters, allows authorised credit institutions to undertake securities business across the EC.

The investment services directive extends similar rights to non-banks, and as such is particularly relevant to the City. Whereas Continental centres are often dominated by universal banks (which are covered by the banking directive), London has a large number of important non-bank institutions. Many are foreign-owned, such as US investment banks and big Japanese securities firms. (According to one authority, the only substantial British-owned firms covered by the new directive are Cazenove and Smith New Court).

Non-bank firms would be disadvantaged if it became easier for a Deutsche Bank to do business in London than for a Nomura to trade in Frankfurt. But the scope of the new ruling goes beyond these investment giants. As well as brokerage business, it includes market-making, portfolio management, professional investment advice, underwriting and investment dealing. This stands to bring in far more firms in the UK than in other parts of the EC.

The Second Banking Directive is racing through the Brussels machinery. Its path has been eased by the fact it *has had something to build on*: the First Banking Directive adopted in 1977, as well as a decade of brainstorming by the Basle Committee. Investment services are much tougher to crack, and some big problems still must be resolved:

● Capital requirements. The new investment services directive will be accompanied by a separate directive on capital requirements, which is proving difficult to negotiate. The view from West Germany, dominated by the universal banks, is that firms should have to put up substantial initial capital: a high entry barrier. Therefore, firms should be relatively free to get on with their business.

The UK view – apparently shared by a number of other member-states – is that capital requirements should be held to a minimum, but under close scrutiny. Sophisticated adjustments should be made to allow for different types of risk. The British are keen for dealers to be allowed to net one position off *against* another to cut the overall capital requirement. They also want the rules to recognise that portfolio risk can be reduced by a diversified range of holdings. This is the approach now adopted in the London market. But the trouble is, as one UK regulator says, "a low capital requirement means a thick rule book".

The Commission's present thinking is for *member-states* to be allowed a choice. They could either agree to quantitative limits expressed as a percentage of net assets, in which case the institution would not have to go in for a lot of fancy calculations on a daily basis. That would keep the West Germans happy. Or they could choose a more sophisticated system where portfolios would have to be revalued each day. Whether they will go as far as the British want is another matter.

No one seems to know what effect such an approach would have on competition. Different capital requirements across the EC could in some cases put firms set up in one member-state at a competitive advantage against rivals doing the same business in another. The directive will have to differentiate between the needs of different investment businesses. It would plainly be absurd for your neighbourhood investment adviser to have to operate under the same capital roles as a City marketmaker.

● The balance between home and host country rules. In a pure world, a securities firm given its passport in Spain would be able to do business in Paris exactly as in Madrid. That remains the Commission's long-term goal: meanwhile, it will leave the host country with important responsibilities for regulating business within its territory. The home state (which issues the single passport) will be responsible for ensuring the firm is run by "fit and proper" people, for monitoring its capital, and supervising various prudential rules.

The host state will have jurisdiction over the conduct of business rules, provided these can be justified as in "the public good". Broadly, these mean that such rules must not discriminate between local citizens and those from elsewhere in the EC, that they are appropriate for the purpose they are supposed to achieve, and take into account similar rules applied in the home state.

Will the rules laid down in the UK by the Financial Services Act be acceptable under this provision? People in the Commission tend to see the Act as a costly experiment undertaken at someone else's expense. There is no question of this regime being exported to the rest of Europe. There is a general view that to main*tain its competitive* advantages, London will be forced to go further towarde a less restrictive regime.

● Scope of the directive. Some uncertainty exists abont exactly who will be covered by the directive. Article 9 says some rules will not apply when *services are being provided* to business or professional investors: the question is whether a clear distinction will be drawn between private consumers and large professional buyers, as is the case with the European insurance directives.

Will it really be necessary to *bring into the reckoning those* little investment firms with no wish to do business ontside their home state? (The official answer appears to be "yes".) But the French are questioning if the directive should apply to independent investment advisers – an argument UK groups may well want to encourage.

● Compensation. Here the draft is vague. It says that member-states will have to set up a fund to protect investors against default or bankruptcy by an investment business, but does not set out what that compensation should involve. While host country compensation rules would apply to branches of investment businesses anthorised in other member-states, home country rules will apply to business done on a services basis.

Some controversial issnes have been resolved during negotiations on the new banking directive. The original proposals on reciprocity have been watered down until they are acceptable even to the British: the idea is that they will simply be transferred into the investment services directive. The aim is that the deadline for implementing the new rules in member-states should be the same as in the banking directive: January 1, 1993. That implies some hectic activity in the coming months.

What impact will the directive have on Europe's investment services business? This seems to depend in good measure on what is decided about capital requirements. The giant securities firms can take care of themselves. They are already very international in their operations; it seems unlikely the directive will lead to a great surge of new competition within Europe's big league. For smaller firms, it could be a different story. High entry barriers could reduce competition: a more flexible approach could open opportunities hitherto the preserve of the big battalions. There is much to play for in the next few months.

UK NEWS

UDR soldiers held in swoop

Belfast arrests seen as blow to army credibility

By Our Belfast Correspondent and David White in London

A POLITICAL row was brewing in Northern Ireland last night after 28 full- or part-time soldiers from the Ulster Defence Regiment were arrested and held for questioning in connection with the leaking of classified documents on Irish Republican Army suspects.

The arrests, made in one of the biggest security sweeps in Belfast in recent years, were ordered by Mr John Stevens, the deputy chief constable of Cambridgeshire who was called in last month to investigate alleged collusion between members of the security forces and loyalist paramilitary organisations.

More than 300 uniformed and plain-clothes police from the Royal Ulster Constabulary were brought in help Mr Stevens' team in the operation. Thirty houses in the greater Belfast area were searched. Photographic montages - believed to be similar to the documents leaked to newspapers in the UK in past few weeks - were found along with ammunition, the RUC said.

The RUC confirmed that all those arrested were members of the UDR, the locally-recruited British Army regiment formed in 1970 after the all-Protestant Ulster Special Constabulary - the B Specials - had been disbanded.

The controversy over the security leaks is the biggest blow to the UDR's credibility as a neutral security force since it was set up.

It is thought the Stevens inquiry team is investigating at least 13 cases of leaked documents from security force installations.

The issue overshadowed last week's Anglo-Irish Conference meeting in London, where Irish ministers called for an overhaul of the 6,500-strong UDR to restore the confidence of Northern Ireland's Catholic nationalist community in the security forces.

Unionist politicians yesterday accused the authorities of carrying out the swoop to appease the Dublin Government.

Mr Ken Maginnis, the Ulster Unionist Party's security spokesman and a former part-time UDR major, said he hoped the soldiers were not being made scapegoats. He added that when he served as in the regiment he had photographic montages for perfectly legal reasons, as did many soldiers.

Mr James Molyneaux, the party leader, blasted critics of the regiment at a weekend meeting at Newcastle, County Down, and accused Mr Seamus Mallon, deputy leader of the Social Democratic Labour Party, of helping orchestrate the entire controversy.

The arrests come as a big setback to morale in the UDR, which has been working to strengthen its standing as a professional force. Almost half its members are full-time, organised in nine battalions under Regular Army commanding officers. Although it has sought to recruit from both communities, less than 4 per cent are Roman Catholic.

Most of those being questioned last night are thought to belong to the UDR's Belfast-based 7/10 battalion, which with 1,200 men is the largest in the British Army. The arrests were made under the Prevention of Terrorism Act, the Official Secrets Act and common law. Yesterday's row coincided with the car-bomb killing of an Royal Ulster Constabulary superintendent as he left with his wife for church from their home outside Belfast. His wife was uninjured.

In Brief

Satellite TV dishes top 200,000 in Britain

THE NUMBER of UK homes with satellite TV receivers passed 200,000 for the first time last month.

According to the latest FT Satellite Monitor, which has been tracking the development of the satellite market since February, 72,000 homes either rented or bought 60cm satellite dishes in September. That made the month the best for satellite TV since Sky was launched in February.

Continental Research, which produces the Monitor, now estimates that a total of 232,000 households are receiving the new satellite channels from the Astra satellite.

That does not include those who receive satellite channels through cable networks. Because of the surge of interest in September, Continental has increased to 600,000 its projection for the number of dishes in place by Christmas. That is 100,000 more than the projection published in June.

Time change backed

MORE than three out of four people in Britain would welcome having clocks moved one hour ahead throughout the year.

A survey by Gallup, the polling organisation, showed that 76 per cent of those polled would prefer the clocks to be changed so that British time was GMT plus one hour in winter and GMT plus two hours in the summer, bringing lighter evenings.

The results were welcomed by the Daylight Extra Action Group, which claims that lighter evenings would prevent road accidents and save hundreds of lives every year.

Air France contract

PLYMOUTH-based Brymon Airways has won a multi-million pound contract to operate daily services from London City Airport to Lille and Strasbourg on behalf of Air France.

Councils may face laws to curb role in capital markets

By Katharine Campbell

THE DEPARTMENT of the Environment is considering whether to introduce legislation governing the powers of local authorities to participate in the capital markets.

The review is prompted by the experience of Hammersmith and Fulham Borongh Council, which has entered into swaps-related deals with a nominal valne of over £6bn, and is currently the subject of e High Court hearing to determine whether the council was empowered to effect auch transactions in the first place, or whether councillors were acting ultra vires - beyond their powers.

Ratepayers could be exposed to losses running into hundreds of millions of pounds as a result of Hammersmith's actions, the High Court in London was told last week.

A government official said on Friday that it was far from clear whether councils should be allowed to operate in such areas of the capital markets at all, particularly as it involved high levels of risk for ratepayers.

The British Bankers Association, a trade gronp representing British banks, has been lobbying parliament to include provisions in the Local Government and Housing Bill - currently before the House of Lords - to offer banks better security in capital market transactions involving local authorities.

Over 50% of companies intend to raise training

By Our Labour Staff

MORE THAN half of British companies are planning to increase expenditure on staff training this year, according to a survey published today.

Investment plans, however, are weighted towards larger companies. Nearly three quarters of companies with more than 500 employees expect to raise training expenditure.

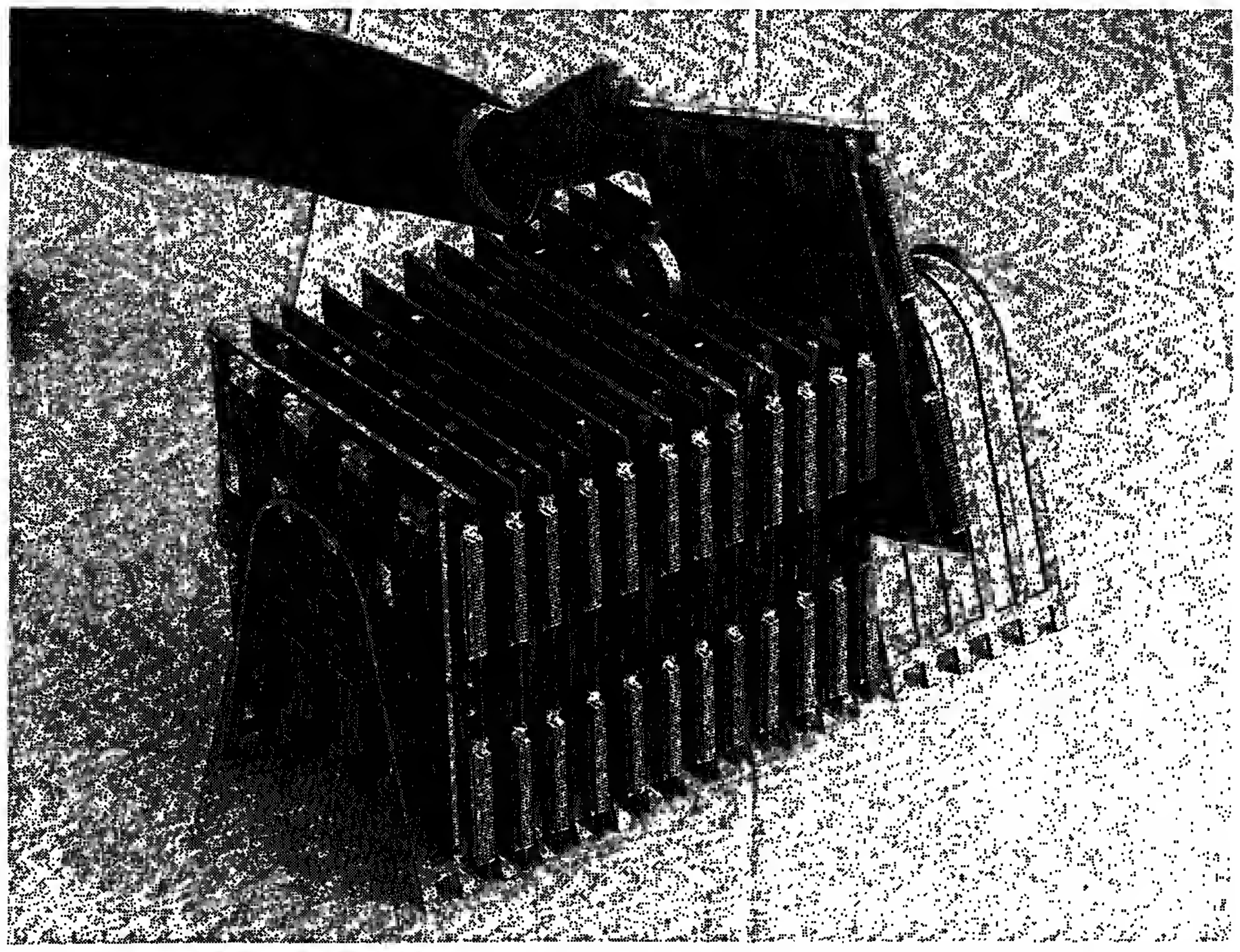
The report, published by Personnel Today, a newspaper aimed at personnel and training officers, says companies have a long way to go to match the commitment to training of their US counterparts. Only 9 per cent of UK employees receive training compared with 38 per cent in the US.

The aurvey, conducted by Lakewood Research, says UK companies with 100 employees or more spent £1.26bn on formal employee training in 1988. Of this, £523m went to outside suppliers of training.

On a per capita basis, spending in the UK is about half that in the US, although 55 per cent of British employers plan to improve this year.

US workers receive a third more training than their British equivalents and American companies train two to three times more sales people than similarly sized UK companies.

In computer litaracy and executive development the opportunities for training are broadly similar in the US and the UK.



Capital gains tax rate 'penalises poorer payer'

By Michael Prowse

THE CAPITAL gains tax rate should be reduced to between 15 per cent and 20 per cent, says the Institute of Economic Affairs in a report published today.

Mr Barry Bracewell-Milnes, the author, says the tax penalises entrepreneurship, undermines the efficiency of capital markets and regularly imposes "the heavier tax burden on the poorer taxpayer."

The study is highly critical of Mr Nigel Lawson's 1988 Budget decision to align the rates of income and capital gains tax. That involved raising the capital gains tax rate for top taxpayers from 30 per cent to 40 per cent – one of the highest rates in the world.

The report says Britain should take a lead from the US Congress, which is considering proposals for a reduction in the US capital gains tax from 28 per cent to below 20 per cent. It cites US research purporting to show that the yield from capital gains tax is maximised at a rate below 20 per cent.

Mr Bracewell-Milnes says Britain's regime is inconsistent with that in the rest of Europe in that it does not discriminate between short and long-term capital gains. Elsewhere, tapers and time limits ensure that less tax is paid on assets held for long periods.

The Chancellor aligned income and capital gains tax rates in order to promote sensible savings and investment decisions and to prevent higher-rate taxpayers from avoiding tax by artificially converting income into capital gains.

Mr Bracewell-Milnes recognises that such incentives exist at the margin, but says they do not justify a regime that puts all gains on a par with ordinary income.

It is contrary to common sense, he claims, to tax an asset held for 50 years at the same rate as last year's salary. That is because the return on assets held for long periods is "unpredictable in both amount and direction."

The report proposes exemption of assets held for more than a stated period, exemption of portfolio rearrangements, unlimited carry-back of losses, and roll-over relief on lifetime gifts.

Capital Gains Tax: Reform through Abolition, IEA, 2 Lord North Street, London SW1P 3LB.

Aid poll highlights environment

By Peter Montagnon, World Trade Editor

MORE THAN half the electorate believes that the British aid budget should be increased to tackle environmental issues in the developing world, according to a poll carried out by Harris Research Centre for the charity ActionAid.

As many as 32 per cent of respondents said destruction of the environment was more important globally than the fact that a fifth of mankind lives in absolute poverty.

Only 28 per cent said the latter was more urgent, with 36 per cent believing the environment and poverty were equally important to development policy.

The findings suggest that environmental awareness has provoked fresh interest in development among voters who in a similar poll last year expressed broad satisfaction with the level of aid spending.

According to the latest poll, 56 per cent of respondents said additional aid money should be found for environment projects, compared with 25 per cent who said part of the existing aid budget should go towards the environment.

Eight per cent said no extra money should be spent.

This is the first time that ActionAid has canvassed opinion on the environment. It is therefore impossible to determine how priorities have changed over the past year.

Meanwhile, in response to another new question in this year's poll, a sizeable majority, amounting to 68 per cent, said improved trade conditions for Third World exports would do more to help alleviate poverty than additional aid.

In spite of their clear preoccupation with the environment, respondents said the main purpose of aid spending should be to provide long-term help to make people self-reliant (42 per cent), followed by emergency relief for victims of drought, flood and earthquakes (36 per cent) followed by the environment (11 per cent).

In a reply that is likely to disappoint the aid and trade lobby, only 7 per cent said that the main purpose of aid spending should be to help develop industry and the infrastructure in developing countries through road and communications projects.

Company reports 'not read nor understood'

By Alice Rawsthorn

EVERY year thousands of annual reports filled with facts and figures – and, just possibly, a *dash of fiction* – land on the doormats of shareholders.

Producing an annual report is an elaborate affair. Design consultants are wheeled in, auditors brandish pocket calculators and directors spruce themselves up to look suitably serious for photographers.

Yet a study by the London Business School and Wolff Olins/Hall, a design company specialising in annual reports, suggests that such reports do not work and that shareholders do not read or understand them.

When shareholders were asked whether they understood the contents of their annual reports, three quarters said they did. However, when they were tested, less than a third displayed a "reasonable grasp" of the contents.

Even if they managed to plough through the reports, few investors considered them useful. Only two out of five shareholders identified any part of the annual report that they thought "particularly informative."

Among the commonest complaints was that the reports were too "stodgy" and technical. Shareholders were at best ambivalent about the fashion for companies – or their design consultancies – to embellish reports with glossy photographs and graphics.

All the same, whether shareholders like it or not, reports are getting ever glossier.

The chairman of Pepe, the jeans group, even wore 19th-century-style clothing to suit the "authentic US cowboy" imagery of its 1988-89 report.

Activists set out to trap furriers

Alice Rawthorn looks at a troubled section of the clothing industry

THE $6bn (£3.7bn) world fur industry is bracing itself for one of the most testing years it has ever experienced.

In the Netherlands and the US, the world's biggest single market for fur, the animal rights campaign is hitting hard. The US anti-fur lobby has already scored some propaganda coups. Bill Blass, one of the best known New York fashion designers, has stopped producing a fur collection. Several other designers are following suit.

The growth of the lobby comes at a critical time for the US and European fur industries, which are already weakened by intense competition from the Far East.

The fur industry begins with the fur farmers of Scandinavia and the trappers, who hunt wild animals, in the US and the Soviet Union. The animal skins are then sold at auctions in Europe and North America. The most important auctions are in Copenhagen, Leningrad and New York. The fur dealers are based on the banks of the Thames in the City of London.

Those dealers sell the skins to fur manufacturers and fur shops throughout the world. The US, with 2,500 fur salons, is the most important market, accounting for about $2bn of the $6bn world sales. Then comes Japan, followed by Italy and West Germany.

IN THE next few days, a new poster will appear on advertising hoardings. On one side will be a "rich bitch" in a glossy fur coat; on the other a "poor bitch" - the bloodstained corpse of a fox.

The poster is the latest salvo in the campaign by Lynx, the animal rights lobby, against the fur industry.

"If you don't want millions of animals tortured or killed in leg traps, don't buy a fur coat," says the poster, which is going out in other languages to back campaigns elsewhere in Europe.

One by one, most of the leading UK store chains have stopped selling furs. Furriers have been forced out of business. The fur coat is no longer coveted as a luxury but is seen by a growing number of people as a symbol of cruelty.

The Lynx campaign has not been the only factor. The growing awareness of environmental issues has helped the anti-fur lobby, and whether lobbyists approve it or not, the violent tactics of the animal rights extremists have played a part in encouraging mainstream retailers to stop selling fur.

Aside from the animals rights lobby, the industry is suffering from the impact of two successive mild winters and from increasingly intense competition from the Far East.

The fur trade has become so politicised that it is difficult to paint an accurate picture of the industry. Lynx sees it as "an industry soaked in blood and gore" and which is close to collapse. It says that fur sales have halved in the past five years and that 20 fur shops went out of business in the past year alone.

The British Fur Trade Association tells a different tale. It says its members are concerned with "wildlife conservation." The BFTA represents nearly three quarters of the UK's fur shops and says that only 10 of its members have folded in the past year or so.

By any definition, the fur trade is in trouble.

Four years ago when Lynx was formed, as a breakaway from Greenpeace, the environmental lobby, the fur business was booming. The economic policies of the Thatcher Government and the new cultural climate of conspicuous consumption created a breed of consumers willing and able to treat themselves to luxuries including fur coats.

There are still many people who can afford a fur coat, but fewer are willing to do so.

Most of the mainstream store chains have closed their fur departments. Debenhams, which is part of the Burton Group, did so two years ago because of "dwindling sales" and "the weight of public opinion against fur."

Many specialist fur shops have been forced out of business. Advertisements for closing-down sales from furriers are a familiar feature in local newspapers.

Even the BFTA admits that fur sales fell last year. However, it insists that the fall in sales was limited to cheaper furs and that the market for expensive furs was resilient. It attributes the fall to the mild winter weather and higher interest rates, rather than to the lobbying efforts of Lynx.

The fur retailers' troubles pale into insignificance beside those of the manufacturers. The value of the fur goods made in the UK has fallen from £106m to £28m in the past four years, according to the Department of Trade and Industry.

For the UK industry, and for others around the world, the chief competitor is Jindo, of South Korea, which has risen rapidly to become the biggest single force in the international fur industry.

Jindo has undercut the Western companies through low labour costs, modern production processes, and a more streamlined industry.

Five years after opening its first fur salon, in Bond Street, London, it accounts for about half of all UK fur sales.

Jindo owns more than 75 fur salons in Europe and the US. Its success is in imposing intense pressure on the sales and profits of the established companies. The average price of a fur coat in the US, for example, fell by a fifth last year.

Nevertheless, even Jindo has not been immune to the changing atmosphere of the fur industry. In the UK, Dickins & Jones, part of the House of Fraser group, is in the throes of a half-price sale because the Jindo Fur Salons in its stores are closing.

The fur industry is usually gearing up at this time of year to the world's wealthy treating themselves to new fur coats. This autumn, the picture may be different.

The growth of the green movement has increased interest in animal rights.

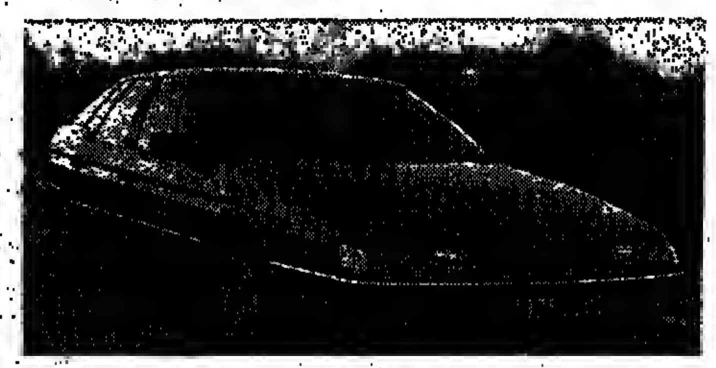
Similarly, the success of Lynx in the UK has encouraged similar groups to set up in other countries around the world.

The combination of Far East competition and the animal rights lobby poses a serious threat to the Western fur industry. US companies are already on the defensive. The American Fur Industry, their trade association, has drafted in Burson-Marsteller, the public relations consultancy, to counter the arguments of the anti-fur lobby.

As Sandy Blye, executive vice-president of the AFI, said: "We have seen what has happened to the industry in Europe. And we do not want it to happen here in the US."

Citroën develops strategy for increasing car market share

By John Griffiths



Citroën XM: expected to bring sales growth plan to life

CITROEN, part of the French Peugeot group, has developed a strategy aimed at capturing at least 5 per cent of the UK new car market by 1994 – an increase of two thirds on last year and five times the level of the mid-1980s.

The strategy would take Citroën into the front ranks of car importers. It might be regarded as ambitious, but the French car maker has already increased its UK sales by much more than many in the industry had expected. In 1985, its sales totalled just over 20,000 units.

"The plan exists and we know exactly where we are going," said Mr Pierre Boisjoly, managing director of Slough-based Citroën UK. An interim target involves capturing 4 per cent of total UK sales in 1992, compared with 3 per cent last year.

The company expects its strategy to start gaining extra impetus this month from the launch of the XM executive car. Citroën has spent some £750m on bringing the model into production. The car goes on sale in the UK on October 28 and Mr Boisjoly aims for sales of about 9,000 XMs a year, some 4.5 per cent of the executive car market.

Although the Peugeot and Citroën car businesses are operated independently in the UK, Mr Boisjoly indicates that the French group's overall aim is to capture a combined market share of 15-16 per cent – larger than that currently enjoyed by either Vauxhall or Rover Group – by the mid 1990s.

The French group's combined market share is continuing a seemingly inexorable march towards double figures. From a level of about 5 per cent in the mid 1980s it has climbed to 9.25 per cent for the first three quarters of this year, even though Citroën's sales growth has been slowed as its new model programmes enter a transitional phase. Three models – the aged 2CV economy car, the Visa "supermini" and CX executive car – are disappearing without replacements yet being available.

Mr Kevin Johnston, Citroën UK's sales director, estimates that the gradual disappearance of the cars represents lost sales of about 4,000 cars so far this year. With the new XM unlikely to have much effect on this year's sales figures, he expects Citroën's total sales this year to remain about 70,000. The range is currently reduced effectively to two models: the AX hatchback and larger BX. Citroën's sales to the end of August were nevertheless running 1 per cent up in volume terms on last year, at 48,805 cars.

Unit sales, but not market share, are also said to have been slowed because the Government's interest-rate policy is deterring private buyers in the "supermini" sector more than other parts of the new car market.

The single biggest development expected to take Citroën towards its 5 per cent goal is the N2 lower-medium car being developed with the aim of a UK launch by August 1991. With the BX's successor also approaching launch by that time, Citroën believes the four-model range it will then have will make the goal fully attainable.

The lower-medium sector in which the N2 will compete is, in unit terms, the UK's biggest single market sector, led now by the Ford Escort.

Rechem will discuss study of emissions

By Peter Marsh

RECHEM, a waste-disposal company involved in controversy over its large chemical-treatment plant in Pontypool, Gwent, has agreed to meet one of its leading critics to assess scientific data on emissions from the factory.

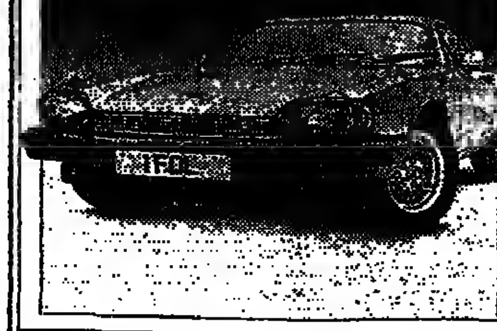
The company is this week meeting Mr David Thomas, director of environmental health for Torfaen Borough Council, the local authority for the area, to discuss setting up a joint study to consider emissions from the plant and agree a common interpretation.

Torfaen council has been calling for a public inquiry into the Rechem plant for several years, saying it is a possible health risk and a nuisance to residents.

The plant is the only facility in Britain – and one of few in the world – capable of treating large lumps of metal, such as transformer casings, which are contaminated with polychlorinated biphenyls (PCB).

Rechem says its high-temperature incineration process is safe, but the council and local residents have been worried by the possibility of PCB contamination. One obstacle has been a lack of agreement on how to interpret analysis of material such as grass samples from around the plant.

Torfaen Council says several recent readings show unacceptably high PCB levels, but Rechem believes the data are inconclusive.



More businessmen fear recession

By Patrick Harverson and Ian Hamilton Fazey

BRITISH business is increasingly concerned that the Government's tough anti-inflationary policy might pitch the economy into recession, according to a new survey published today by Dun & Bradstreet, the business information group.

The survey suggests that the combination of high interest rates and a sterling exchange rate that weakens the competitiveness of British goods abroad is undermining business confidence.

The findings are likely to provide further ammunition for critics of Mr Nigel Lawson, the Chancellor, at this week's Conservative Party conference in Brighton.

Dun & Bradstreet reports that optimism among the business community about the outlook in the coming quarter for sales, new orders and company profits has fallen in all sectors.

The positive trend in employment expectations has been reversed, with unemployment, particularly in the manufacturing sector, forecast as increasing.

The upward trend in business failures is expected to be maintained.

Confidence in the retail sector is especially low, with more companies expecting profits to fall than increase in the coming quarter.

Dun & Bradstreet said that this was the first time since it began publishing its quarterly surveys in June 1988 that a negative optimism figure has been recorded in any sector.

According to the survey, the *construction industry appears* to be stagnating, with a sharp drop in expectations for sales and new orders.

Optimism in the service sector, which is thought to have suffered least from high interest rates, has also fallen dramatically.

The survey notes that inflation is expected to fall in the coming quarter, and points out that optimism about the outlook for the economy remains relatively higher in the north of Britain than in the south.

The Dun & Bradstreet study, based on responses from 1,000 managing directors in large and medium-sized businesses throughout Britain, was compiled in September, before the Chancellor raised interest rates a further point to 15 per cent on October 5.

Meanwhile, the first of the third-quarter surveys conducted by chambers of commerce discloses a sharp downturn in export orders and deliveries, the first signs of labour shedding, more companies trimming their investment *plans and every business* worried by high interest rates.

The survey, by Manchester Chamber of Commerce and Industry, was completed last week before the latest increase in interest rates was announced.

The 100 per cent figure for companies listing lower interest rates as the chief requirement for improving business prospects is the first time in recent years when there has been universal concern about a single economic pressure.

Companies appear to be sustained at present by a relatively strong domestic market, although the proportion reporting a fall in third-quarter deliveries to customers rose to 25 per cent, compared with only 6 per cent six months ago.

Domestic orders are slowing: although 59 per cent said they were up on three months ago, the comparable figure was 92 per cent in the first quarter, when no one reported a decline.

Orders were down for nearly one in five businesses during the last quarter.

Jobs were shed at 19 per cent of businesses, compared with none in the second quarter and only 5 per cent in the first *quarter*.

Although 43 per cent of businesses still took on staff, the figure was below 50 per cent for the first time this year.

The balancing figure – the difference between the ups and downs and the indicator of trend – moved from 50 per cent in the first quarter, to 52 per cent in the second, dropping to only 24 per cent in the third quarter, *even though this* is the time of year when there are usually more jobs available.

All employers hope to maintain *their present workforce in* the fourth quarter, but only one in three expects to take more people on; again, the lowest figure this year.

Confidence remained high, but weakening. Only 38 per cent expected better profits, compared with 64 per cent last quarter and 54 per cent at the beginning of the year.

A dip in profits was forecast by 14 per cent, compared with 16 per cent in the second quarter and none in the first.

Holiday operators braced for slow winter

By David Churchill, *Leisure Industries* Correspondent

PACKAGE TOUR operators face a big drop in bookings for winter and summer holidays next year and are worried that the latest rise in interest rates will depress the market even further.

Trade reports suggest that bookings for this winter are running et 30 per cent below the same time last year, while demand for next summer's *holidays is said* to be at *least* 50 per cent down.

Thomson Holidays, market leader in package holidays, says bookings are very sluggish. It says its winter bookings are some 20 per cent down while demand for the summer is between 30 and 50 per cent down.

Mr Charles Newbold, managing director of Thomson, said the comparison was with a very buoyant early booking market at this time last year. "Interest rates hadn't started rising at this stage in 1988 and people were feeling a lot more bullish then."

Tour operators blame higher interest rates over the past year for a 10 per cent fall in the volume of package holi*days sold this year.*

The industry accepts that people have been put off taking Mediterranean holidays by the threat of airport delays *and publicity about poor stan*dards of accommodation in holiday resorts.

Most operators hope that bookings will pick up after Christmas and so avoid a more serious crisis for the industry. They point out that consumers have little *incentive* to book early at present, but are likely *to return to the traditional* booking patterns of a few years ago and start planning their summer holidays early in the new year.

All is not gloom in the travel industry. Mr Vic Fatah, managing director of Redwing Holidays, said demand for holidays in Greece was substantially up on last year.

Thomas Cook, the travel agency chain, said early bookings for long-haul holidays, especially Florida and the Far East, were *still buoyant.*

Patten reprieves nature reserves

By Philip Stephens, Political Editor

MR CHRISTOPHER PATTEN, the Environment Secretary, yesterday acted for the second time within a week to underline his environmental credentials by overruling plans to force the Nature Conservancy Council to sell land including nature reserves.

In an interview with London Weekend Television, Mr Patten also confirmed that he planned *intensive discussions with the* Treasury over the next year on the possible extension of tax subsidies and penalties to encourage "green" growth.

He cited the example of lower taxation on lead-free petrol as an example of the "imaginative" measures that might be taken, but fell short of endorsing suggestions thet the Government should introduce *a much broader carbon tax to* reduce pollution.

Mr Patten said that the proposal by Mr Nicholas Ridley, his predecessor, to oblige the NCC to sell its land to the private sector was no longer a *priority.*

He insisted that the break-up of the council into regional bodies for England, Scotland and Wales would go ahead, but *added that he was studying* proposals to ensure that it retained a single "scientific base." He said he was negotiating with the Treasury to end a freeze on its budget.

Yesterday's announcement follows Mr Patten's decision last week to oppose the development in Hampshire of the planned new town of Foxley Wood, and to announce stricter *planning rules for housing* developments in the south-east.

It was seen in Whitehall as part of the strategy adopted by Mr Patten to "put out fires" in a number of environmental issues where the Government faces intense opposition among its own supporters.

Whitehall officials believe that he then plans to move on to *tackle* the much *broader*, and more difficult, issue of atmospheric pollution caused by coal-fired power stations, chlorofluorocarbons (cfcs), and petrol exhaust emissions.

Mr Patten signalled his support yesterday for the "pricing" solutions proposed in a report published during the summer by a group of academics led by Mr David Pearce.

Moscow poster contract

By Alice Rawsthorn

ARTHUR MAIDEN, one of the largest British poster companies, has won a contract from Moscow City Council to erect advertising hoardings there until the year 2003.

The company plans to put up posters from Gorky Street to the airport approech roads, and eventually in the Moscow subway stations. It also intends to sell space to Western companies operating in the city.

Until now there has been little need to advertise in the Soviet Union. It has been an economy where consumer goods are in such short supply that they are snapped up as soon as they arrive on the shop shelves.

There are a few advertisements on the streets of Moscow.

Most are neon signs singing the praises of Eastern European travel agencies or airlines.

There are also relics of the days before *perestroika* when signs displayed such slogans as "All praise to the central committee" or "We trust our leadership."

The arrival of so many Western businesses – from PepsiCo and Coca-Cola to McDonalds, which is about to open its first fast food restaurant in the city – has created a cadre of companies that not only need to advertise their goods in Moscow but also have the hard currency to pay to do so.

Initially Arthur Maiden hopes to persuade them to pay for posters to appeal to Western tourists and business travellers.

Eventually, when there are more goods on display, it hopes they will advertise to the Muscovites.

SIB plan on disclosure under attack

By Eric Short

PROPOSALS by the Securities and Investments Board, the *investor protection* body, for the disclosure of expenses under traditional with-profits life and pensions contracts are inadeqnete, the Consumers' Association claims.

The SIB's proposals are vague as to what is disclosed by individual companies, and it is the vagueness that concerns the association.

The association argues that for such information to be useful to consumers and promote effective competition it must be directly comparable.

The association is not satisfied with the proposal that the responsibility for providing expense information be left to the life companies' actuaries. If it is adopted, the association argues that legally enforceable professional guidelines for actuaries should be drawn up.

The association goes further and wants actuaries to have direct access to the regulatory bodies if it is felt that a life company board has not taken sufficient account of the advice given by the actuary.

The Consumers' Association's objections are almost certain to be attacked by the actuarial professional bodies as unnecessary in view of an actuary's strict professional code of conduct.

Job losses up as shoe sales stay sluggish

By Alice Rawsthorn

THE TOLL of job losses in the troubled footwear industry is mounting as the shoe companies struggle to adjust to increasingly competitive trading conditions.

The industry has been fighting for the past two years against sluggish consumer demand and a sharp surge in imports. Many companies have introduced short-time working and resorted to redundancies.

More than 4,000 jobs – over 8 per cent of the workforce – were lost in the industry in the first seven months of this year, according to latest figures from the British Footwear Manufacturers Federation.

Now the industry is struggling against a slowdown in consumer spending. Church & Co, one of the best known men's shoemakers, recently reported a fall in profits for the first half of the year.

Restaurant trade expects downturn

By David Churchill

RESTAURANTS face increasingly difficult trading as a result of rising rents and interest rates and the downturn in consumer spending.

A survey by Gallup, commissioned by the magazine Caterer and Hotelkeeper, shows that those involved in the eating out business are far from optimistic abont prospects for the coming year.

The survey shows that only about a third of restaurateurs polled in London and the south-east were optimistic about next year. Surprisingly, restaurateurs in Wales and the north of England were far more optimistic.

That suggests that restaurant chains and consumers in the south have been worst affected by the rise in costs and interest rates.

The magazine says: "The survey confirms that the squeeze is being felt in those parts of the country where the catering industry has traditionally found its strongest markets.

"The prosperous south-east has seen mortgage payments rise faster than elsewhere, and money that would normally be spent on a meal out has been taken from people's pockets."

Eating out is the UK's largest single leisure market, with an estimated £12.5bn spent by consumers last year ont of total leisure spending of more than £60bn.

It has also been one of the more buoyant markets of the 1980s. Expenditure on eating out has increased by over 10 per cent every year since 1983 and by more than a fifth in 1987 and 1988. This year, according to industry sources, there may be no growth.

Mr Laurence Isaacson, former marketing director of the Kennedy Brookes restaurant business (which was sold last year to Trusthouse Forte) and now deputy chairman of Lakebird Leisure, which operates a number of middle-market restaurants in central London, said: "Restaurants are coming on to the market every day, far more than there were a year ago."

The clear response by customers to the pressure on disposable income has been to *trade down, both in the type of* restaurant they use and the amount spent.

Mr Isaacson said: "Ordinary people have grown used to eating out and don't simply want to give it up. But they are looking for greater value for money than perhaps the restaurant trade has been giving them so far."

A further difficulty for restaurants is that consumer tastes are changing as well. The Caterer and Hotelkeeper survey points ont: "Chinese and Indian restaurants, most of which have not changed significantly since the 1960s, came out in the survey as a stagnant backwater of the industry."

Takeover shift to Continent

By Paul Abrahams

BRITISH companies made more acquisitions on the Continent than in the US during the first six months of 1989.

This is the first time British takeover activity has focused more on Europe than the US, according to Translink International, the London-based publishers of two reviews on mergers and acquisitions. British companies completed 160 acquisitions on the Continent, compared with 141 in the US.

However, the value of British deals in the US still remains greater than on the Continent. Translink says the total value of the disclosed prices of British-Amercian acquisitions during this period was $7.1bn (£4.43bn). That compares with a total of $3.6bn for British-Continental deals.

Taurus plan enters critical phase

What future for the City's automation system, asks Richard Waters

THE CITY'S most important automation project is hanging on by its fingernails. Many in the know are predicting its demise. If it can survive to the end of the year, however, the signs are that Taurus – which is intended to remove the ocean of paper under which the stock market labours – has a fair chance of seeing the light of day.

Taurus's history has been long and troubled, and the situation is not improving. Vested interests (banks, big and small brokers, registrars and others) have each fought their corner for so long that few are prepared now to cede ground to allow the system to be built.

Yet in March the securities industry appeared to have reached enough agreement to move ahead.

Some in the industry claim that Taurus is now back on the drawing board. The implications of that for the City's reputation as an important financial centre are dreadful to contemplate. Without the system, London's equity market would soon lose international credibility.

The 1986-87 bull market illustrated the danger. As volumes soared (see table), three-month settlement queues quickly built up. Such delays increase the risk that default somewhere along the chain will bring down weaker securities firms like a pack of cards.

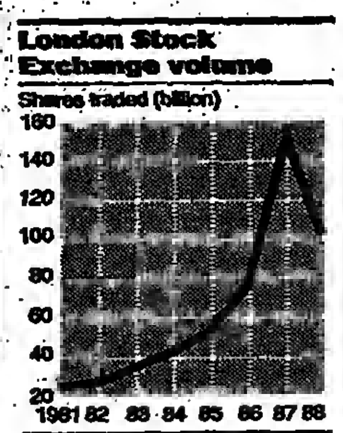
Those involved with the project, however, say any suggestion that Taurus is back to square one is just sniping by those who are not getting their way. Developments over the next three months will show who is right.

The recent history of the project does not augur well. Several years of development encountered an obstacle a year ago when Taurus 1, then the preferred system, was declared too expensive (at £60m) and technically difficult to build. The exchange, judging that it could not proceed without the commitment of all those affected, then opened up the debate by giving control of the project to a new industry-wide committee, Siscot (the Securities Industry Steering Committee on Taurus).

Siscot opted for another version, Taurus 3 – with a dash of Taurus 8 thrown in. Now, little more than half a year on, the doubters' voices have become so loud that the whole process may have to begin again.

Mr Patrick Mitford-Slade, the long-suffering, but optimistic, chairman of Siscot, admits that even members of his committee question whether Taurus 3/8 is the right solution. "We resolved the differences in March. Some members of Siscot are now stepping back from that, but we all agree on the general direction," he said at the end of last week.

Patrick Mitford-Slade: no return to the melting pot



Andrew Hugh Smith: new committee's godfather

The result is that Siscot has decided to have a look at yet another version – Taurus 7. Detractors claim that this throws the project back into the melting pot, although Mr Mitford-Slade denies that. "We are looking at Taurus 7 as a fall-back position, just in case. We're not putting a lot of resources into it, or taking them away from Taurus 3/8."

The range of rival Tauruses confuses even those in the industry. The versions are:

● Taurus 1. Information on all shareholders would be held on a big central database. This would be expensive to build, and make it difficult to reconcile records with those held by registrars and stockbrokers.

● Taurus 3/8: the current favourite. *It is based on a nominee system*, with details about individual shareholders held in sub-registers. The registers would be held by a new breed of so-called Taurus Account Controllers. Complaints include those from private client stockbrokers (which claim the costs will drive them out of business) and listed companies (which complain about the level of access to information about their shareholders).

● Taurus 7. This is also based on the nominee system, but is easier for private client brokers to use: they would not have to become members of the system, and would not face the extra technology costs of Taurus 3/8. However, its detractors claim that it would be difficult to reconcile brokers' records with those of registrars.

The way the project has been managed so far is largely responsible for its being in danger of stalling. Siscot, while welcomed as a good idea at the time, has turned into a forum for the rival interest groups to argue their case. Consensus has been difficult to achieve. Mr Mitford-Slade responds: "I don't know how else you could have done it. The only other way is to push it down people's throats."

Meanwhile, the exchange's work on the project has been in the hands of its technical department. That has led to a search for technical solutions when the economic case has not yet been made. The analytical work that went into making the business case for Taurus was conducted several years ago, when the stock market was different.

From this apparently hopeless position, a new direction may soon appear. The management of Taurus is about to be taken in hand. Meanwhile, the influential powers in the City may soon decide that there has been enough talking and not enough action.

First, the management. This will be provided by a recently appointed project board, headed by a project manager, Mr John Watson, a consultant, seconded from Deloitte Haskins & Sells. Rather than get dragged into the slanging match between the technicians over rival systems, the project manager is likely to take a more overall view, starting with the political and economic issues.

If that sounds like going back to square one, it is. It is basic work that has not yet been done. No proper cost-benefit analysis of the Taurus proposals has been prepared, except for a hasty – and unpublished – review by Touche Ross, earlier this year. Preparing a proper business case for Taurus risks undermining the work done so far. Without the business case, however, the system's promoters will not be able to sweep the sceptics before them.

Those close to the project are now crossing their fingers that this review, and outstanding consultations on Taurus 3/8, will not prove the existing scheme to be unworkable. If it does, it will certainly be back to the drawing board.

Mr Mitford-Slade, however, argues that the cost-benefit case has largely been made, in spite of the need for further study. Savings are projected of about £100m a year, he says, while the exchange's total development costs are likely to be around £25m (although the costs incurred by market participants, while difficult to judge, are likely to be at least another £25m). *Sharing* that cost fairly around the market is the next step.

Secondly, the muscle. That will come from the Group of 15, a wider group of City interests than were represented on Siscot. Its members include Mr Pen Kent, of the Bank of England, and Mr David Walker, of the Securities and Investments Board.

The group, led by Mr Andrew Hugh Smith, chairman of the exchange, is godfather to a committee set up last week to prepare the way for an independent clearing house that will eventually take over the running of Taurus.

The clearing house may hold the key. It is widely expected to take over the development of Taurus from Siscot, and eventually succeed the exchange in employing the staff to run the system (although the decisions have yet to be taken). With the G15 in the background, there is also the prospect of warring factions being forced into line.

All of that depends on the broad outline of the proposed scheme being accepted by the main institutions involved in the market. The exchange and Siscot will soon be taking their case to those involved. With the right level of support, it could all be downhill from next year.

DIARY DATES

Trade fairs and exhibitions: UK

October 10-12
Innovations for profit – TECHMART (01-834 1717)
NEC, Birmingham

October 10-12
Fashion Fabrex (01-385 1200)
Olympia

October 10-12
Insurance Industry Exhibition and Conference - INSUREX (01-446 8211)
Barbican, London

October 14-17
British Designer Show (01-385 1200)
Olympia

October 18-19
Hotel, Catering and Leisure Industry Technology Exhibition - HOTECH (01-978 2050)
Kensington Exhibition Centre

October 19-20
Law Society National Conference and Exhibition (0423 530588)
Harrogate Exhibition Centre

October 19-29
London Motor Fair (01-385 1200)
Earls Court

October 22-25
Home Interiors Exhibition (01-385 1200)
Olympia

October 24-26
International Leisure Business Week Exhibition (0372 372842)
NEC, Birmingham

October 24-26
Omnec: The fibre optics users exhibition and conference (0223 242946)
Barbican, London

October 26-29
National Knitting Exhibition (0272 701370)
NEC, Birmingham

November 1-3
Information Technology Exchange Exhibition – ITEX (01-948 9800)
Olympia

November 2-5
London Money Show – MONEY (01-940 2244)
Olympia

November 7-9
International Banking Exhibition (01-749 9535)
Barbican, London

Overseas exhibitions

Current
International Robotics, CAD/CAM, Automation Engineering Exhibition - PRODUCTIQUE (01-225 5566) (until October 26)
Paris

Current
International Hotel, Restaurant, Catering & Foodstuff Industry Trade Fair (01-977 3474) (until October 11)
Vienna

Current
International Fair for Instrumentation and Automation - INTERKAMA (01-794 0166) (until October 14)
Dusseldorf

October 10-14
International Anti-Pollution, Environmental and Safety Technology Exhibition - IFEST (01-639 7265)
Ghent

October 23-27
International Electronics, Computers, Materials and Semi-Conductors Exhibition - IECM (01236 2399)
Beijing

Business and management conferences

October 9-10
Financial Times Conferences: Europe and the Nordic countries (01-925 2323)
Stockholm

October 11-14
Strategic Management Society: Strategies for innovation (US 317 494 4386)
San Francisco

October 11-12
Financial Times Conferences: World mobile communications in the 90s (01-925 2323)
Hotel Inter-Continental, London

October 12-13
Club de Bruxelles: The future of transport in Europe (Brussels 771 98 90)
Brussels

October 16-17
Financial Times Conferences: Re-regulating Europe's financial sector (01-925 2323)
Hotel Inter-Continental, London

October 24-25
International Business Communications: Third annual conference on the management and marketing of unit trusts (637 4383)
London Marriott Hotel, W1

October 27
CBI Conferences: Manufacturing: Maintaining the momentum (01-379 7400)
London

October 30
The Watt Committee on Energy: Energy: Today's decisions, Tomorrow's world (01-379 6875)
Guildhall, London

October 30
The Institution of Mining and Metallurgy: Mining finance (01-580 3802)
London

October 31-November 2
Blenheim Queensdale: UK National Conference on Paperless Trade
Queen Elizabeth II Conference Centre

October 31-November 2
Financial Times City Seminar (01-925 2323)
Plaisterers Hall, City of London

November 2
Concorde Services: Advertiser supported TV: threat or opportunity? (01-743 3106)
Hilton Hotel, London

November 3
The Chartered Institute of Management Accountants: Practical pricing policies (01-637 2311)
Crowne Plaza Hotel, Manchester

November 6-7
Financial Times Conferences: Business with Spain – strategies for 1992 and beyond (01-925 2323)
Palace Hotel, Madrid

November 10
HS Conference Studies: The probate and estate planning secretary today (01-936-2382)
The Park Lane Hotel, London

November 13-14
AIDA International: Trade in the single European market (Brussels 32(0)2 345 99 23)
Copenhagen

November 14-16
Blenheim Online: Computers in the City (01-868 4466)
Barbican Centre

November 14-15
FT Conferences: World Shipping (01-925 2323)
Amsterdam

November 16
The Henley Centre: The UK economy in the 1990's (01-353 9961)
Cavendish Conference Centre, London

FINANCIAL

TODAY
COMPANY MEETINGS-
Norbain Electronics, Norbain House, 14-16 Boulton Road, Reading, 10.00
BOARD MEETINGS-
Finals:
Norex
Perstorp
Savage
TIP Europe
Interims:
Bio-Isolates
Chelsea Artisans
Cluff Resources
ISA Intl.
6 & U Stores
DIVIDEND AND INTEREST PAYMENTS-
Aaronson Bros. 1.8p
Betacom 1p
British Bloodstock Agency 6.5p
Clarke (T.) 1.1625p
Magnolia Group 1.75p
Misys 3p
Resort Hotels 0.35p
Rush & Tomkins Group 11.2p
Sennah Rubber 40p
Treatt 1p
Vibroplant 1.95p
Victaulic 3.25p
Ward Hldgs. 0.5p

TOMORROW
COMPANY MEETINGS-
Ferranti Intl. Signal, Mill Bank Tower, Mill Bank, S.W., 12.15
Fleming Overseas Inv. Tst., 25 Copthall Avenue, E.C., 12.00
Wentworth Intl. Group, Blyth Dutton, 8 & 9 Lincoln's Inn Fields, W.C., 11.00
BOARD MEETINGS-
Finals:
BM Group
Britannia Security
Equity & General
Honeysuckle
Lyles (S.)
Interims:
Alexandra Workwear
Allied Insurance Brokers
Atlas Converting Equipment
Dauphin
Helene
Hyman
Lawrence (Walter)
Le Creuset
London & Manchester
Musterlin
NMW Computers
DIVIDEND AND INTEREST PAYMENTS-
AAH Hldgs. 7.95p
Dale Electric Intl. 3.1p
Halifax Bldg. Soc. Fltg. Rate Ln. Nts. 1992 £177.23
M & G Far Eastern & General Fd. 1.25p
Macfarlane Group (Clansman) 2.3p
Microvitec 0.75p
Nationwide Bldg. Soc. Fltg. Rate Nts. 1995 £177.23
News Corp. 5cts.
News Intl. 2.421p
PrinTech Intl. 1.1p
Renaissance Hldgs. 1.25p
Scottish Eastern Inv. Tst. 6¼% Red. Deb. 85/90 3.125pc.

WEDNESDAY OCTOBER 11
COMPANY MEETINGS-
Adscene Group, Howfield Manor, Howfield Lane, Chartham Hatch, Canterbury, Kent, 2.00
Armitage Bros., Armitage House, Mile End Road, Private Road No. 3, Colwick Indl. Estate, Colwick, Nottingham, 11.00
McKay Securities, 20 Parkside, Knightsbridge, S.W., 12.00
Wholesale Fittings, The White House, Regents Park, N.W., 10.30
BOARD MEETINGS-
Finals:
Lloyds Chemists
Sinclair (Wm.)
Tay Homes
Interims:
Anglo-Eastern Plantations
Austin Reed
Billam (J.)
Firstland Oil & Gas
Forward Technology Inds.
Jerome (S.)
Johnson
Quadrant
REA
R & V Information Systems
DIVIDEND AND INTEREST PAYMENTS-
Armitage Bros. 2.8p
Barclays 11.4p
Central American Bk. for Econ. Integn. Fltg. Rate Ser. Nts. 1994 $233.67
Conversion 10% 2002 5pc.
Hewlett-Packard 10.5cts.
Hongkong & Shanghai Banking Corp. Prim. Cap. Und. Fltg. Rate Nts. 3rd Ser. $118.99
Islington Corp. 12.65% Red. 2007 6.325pc.
Marine Midland Fin. NV Gtd. Fltg. Rate Sub. Nts. 1994 $23.96
National Australia Bank Und. Sub. Fltg. Rate Nts. $541.38
Richardsons Westgarth 1p
Steetley 4½% Prf. 1.575p
TT Group 1.5p

THURSDAY OCTOBER 12
BOARD MEETINGS-
Finals:
Lowndes Queensway
Town Centre Securities
Interims:
Darby
El Oro Mining & Exploration
Exploration Co.
London & Atlantic I. T.
Miskin
DIVIDEND AND INTEREST PAYMENTS-
AAF Inv. Corp. 4.5p
Aerospace Eng. 1.58p
Copson (F.) 3p
EBC Group 3.5p
Ireland 12½% Ln. 2008 (Reg.) 6.25pc.
McAlpine (Alfred) 4.5p
McKay Securities 2.8p
More O'Ferrall 3.2p
Pentos 0.5p
RBC Intl. Capital Fd. Ptg. Red. Prf. 32cts.
Specialeyes 1.375p
Trevian Hldgs. 1.75p
Young Group 2.8p

FRIDAY OCTOBER 13
COMPANY MEETINGS-
Aitken Hume Intl., Armoury House, The Honourable Artillery Co., City Road, E.C., 12.00
Second Alliance Tst., Meadow House, 64 Reform Street, Dundee, 12.30
Westminster & Country Properties, 18 Grosvenor Street, Mayfair, W., 11.30
BOARD MEETINGS-
Interims:
Aitken Hume
Intl. Inv. Tst. Co. of Jersey
Slingsby (H. C.)
DIVIDEND AND INTEREST PAYMENTS-
Alliance Tst. 10p
Do. 4% Prf. 1.4p
Do. 4¼% Prf. 1.4875p
Do. 5% Prf. 1.75p
Appleyard Group 2.6p
Courts (Furnishers) 3.17p
Genbel Invs. 150cts.
Gordon Russell 2.8p
Greggs 4p
Leeds Permanent Bldg. Soc. Fltg. Rate Nts. 1994 £177.23
Lloyds Abbey Life 6p
Morgan (J. P.) & Co. 41.5cts.
Motorola 19cts.
Perkins Foods 1.4p
Royal Tst. Gov. Secs. Fd. Ptg. Red. Prf. 2.25p
Shorco Group Hldgs. 2p
Stirling Group 0.85p
Hansberger 4cts.
Treasury 8% Ln. 1992 4pc.
Do. 9% Ln. 2008 4.5pc.
Woolwich Equitable Bldg. Soc. Fltg. Rate Nts. 1993 £354.45
YRM 2.55p

SATURDAY OCTOBER 14
DIVIDEND AND INTEREST PAYMENTS-
Australia (Commonwealth of) 9½% Ln. 2012 (Reg.) 4.75pc.

SUNDAY OCTOBER 15
DIVIDEND AND INTEREST PAYMENTS-
Alexander & Alexander Services 11% Cnv. Sub. Deb. 2007 5.5pc.
American Brands 12½% Uns. Ln. 2009 6.25pc.
BCE 62cts.
Capital 8% Ln. 2001 4pc.
Eldridge, Pope & Co. 6¼% Irrd. Uns. Ln. 3.125pc.
Do. 7½% Irrd. Uns. Ln. 3.75pc.
Exchequer 13% 1994 6.5pc.
Federated Housing 9½% Red. Prf. 4.75p
Finland (Rep. of) 11½% Ln. 2009 (Reg.) 5.75pc.
Goode Durrant 3½% Prf. 0.875p
Govett Strategic Inv. Tst. 9⅞% Deb. 2017 4.9375pc.
Manders Hldgs. 5% Prf. 1.75p
Merton (London Borough of) 11¼% Red. 2017 5.625pc.
Metropolitan Water Southwark & Vauxhall Wtr. Co. 3% Deb. 1.5pc.
Norcros 15¾% Deb. 90/95 7.875pc.
Occidental Petroleum Corp. 62.5cts.
Pacific Gas & Electric Co. 35cts.
Peachey Property Corp. 9½% 1st Mtg. Deb. 2015 4.75pc.
Do. 10¾% 1st Mtg. Deb. 2015 5.375pc.
Rexmore 13% Cnv. Red. Prf. 91/92 6.5p
Richards 4% Pfd. 1.4p
Do. 6½% Pfd. 1.44375pc.
Treasury 5% 86/89 2.5pc.
Do. 10% Ln. 1993 5pc.
Watney, Mann & Truman Hldgs. 6% Red. Deb. 89/94 3pc.

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

CONSOLIDATED GOLD FIELDS PLC

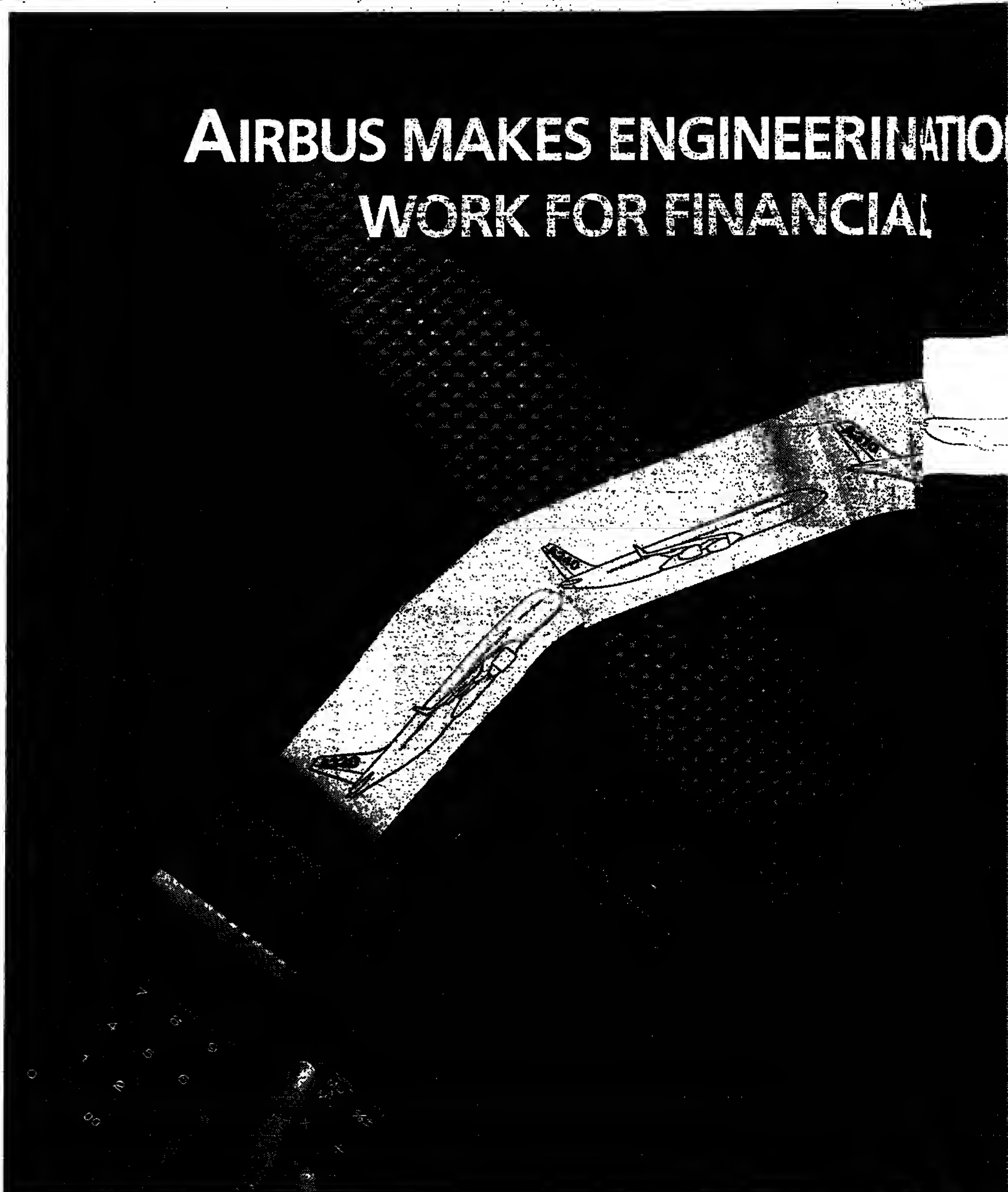
Notice to non-assenting shareholders

Pursuant to section 429(4) of the Companies Act 1985 as inserted by Schedule 12 to the Financial Services Act 1986

429(4)

Mrs. Y. M. Newbold
Company Secretary
for Hanson PLC

Dated October 9, 1989



CONSTRUCTION CONTRACTS

Computer facilities at Scottish factory

SIR ROBERT McALPINE MANAGEMENT CONTRACTORS has begun work on the £25m third phase of a computer production facility in Erskine, Scotland for Compaq Computer Manufacturing. The first two phases were completed by Sir Robert McAlpine under similar contracts.

The project comprises a single-storey high-bay production facility measuring 120 metres x 94 metres including laboratories and a two-storey office building 47 metres x 19 metres with a central connecting mall 210 metres x 11 metres. Work includes the installation of a full air-conditioning system, two lifts, canteen and kitchen facilities.

Supported by concrete pad foundations, the production and office buildings will be of steel frame construction with composite steel panel cladding under steel frame lightweight roofing. Excavations involve the removal of 36,000 cu metres of soil and 4,000 cu metres of basalt rock.

The 15 metres high barrel vaulted roof over the connecting mall will be formed with steel arches attached to both buildings. This feature will also provide a link to the existing complex where full operations must be maintained during the construction period.

Ancillary work covers the construction of an external plant room, roads, lorry park, service yard and loading docks, landscaping and planting.

Building motorway link

£17.5m contract for a major scheme linking the M53 and A55 east of Chester has been awarded to FAIRCLOUGH CIVIL ENGINEERING by the Department of Transport.

A grade-separated dual carriageway, about 4.7km in length, will be built to link the M53 motorway and the A55(T), by-passing the A41 (the Chester Ring Road). The project will also involve creating a road junction and providing grade-separated interchanges at each end of the scheme. About 2km of side roads will also be constructed.

In addition, 13 concrete bridges - four of them over railways - a four-span viaduct and a cattle underpass will have to be built. Eleven of these bridges will incorporate precast prestressed beams. The drainage includes the construction of two precast concrete storage reservoirs with pumping stations, located under the carriageways of the main line, and of a side road diversion.

The earthworks include 500,000 cu metres of excavation and 350,000 cu metres of fill. Unacceptable material up to 130,000 cu metres in volume will be disposed of, while the same volume of acceptable and selected fills will be imported into the site.

Fairclough is also responsible for installing street lighting and traffic signs.

£25.5m workload for Lilley

LILLEY companies have received orders totalling £25.5m. Orders were received by: Lilley Construction £7.4m, including a £3m contract for a relief sewer in South Wales; Eden Construction, the group's Cumbrian-based subsidiary, £10.1m, including a £4.3m contract to build a store at Sellafield; MDW £2.6m including a £2.1m contract to build flats

New hospital for Burma

A unions project is being undertaken by the Manchester office of OVE ARUP & PARTNERS, involving the construction of a 600 bed general hospital in Burma.

Work on the hospital is being carried out on behalf of the Burmese Government. Valued at US$140m (£86.9m), it is being funded by the Asian Development Bank and is believed to be the largest hospital development of its kind ever undertaken in the country. The hospital is to replace the Yangon, previously Rangoon General, built during the British administration of the country 50 years ago. This hospital is virtually bursting at the seams

Ove Arup will be controlling all engineering aspects of the hospital's construction including civil, structural, mechanical, electrical, public health, water supply, security and fire engineering to create a modern medical environment equipped with 15 general wards, specialist burns and intensive care units, with appropriate operating facilities, and two recovery wards.

The hospital will markedly improve health care in a region which is generally thought to be 50 years behind the rest of the world, Burma being recognised as one of the poorest countries and having been granted "least developed nation" status by the United Nations.

Refurbishing department store

An artist's impression of the Grade II listed Owen Owen department store in Chester

The Manchester regional office of MOWLEM MANAGEMENT has been awarded a large development in Chester by Owen Owen. The project, valued at £11m, calls for extensive refurbishment works to the Grade II listed Bridge Street department store together with a 49,000 sq ft extension, which will more than double the existing retail area. Mowlem Management will also carry out renovation works to the 13th century section of the store frontage.

The refurbishment includes extensive mechanical and electrical works, the installation of a sprinkler system and a traditional pitch roof. The extension, to the rear of the store, involves a steel frame structure with brick cladding and part in situ, part pre-cast concrete floors.

Before and during construction an archaeological dig is taking place under the supervision of Chester's Grosvenor Museum whilst Mowlem Management progress work in other areas of the project. As the store will remain trading, work has been programmed in sections to minimise disruptions. Final completion is scheduled for April 1992.

Offices project in the Borough of Southwark

TRENTHAM, the construction arm of Egerton Trust, has been awarded a design and build contract worth £13.7m for the construction of an office development managed by Orlinworth for Perar BV, at 41 - 45 Blackfriars Road, London SE1.

The 96,000 sq ft development, known as Friars Bridge Court, will provide some 89,000 sq ft of air conditioned office accommodation with car parking facilities. Completion is expected early 1991.

Trentham has also been awarded a £2m contract for the construction of an office building in Bath Road, Heathrow by sister company, Egerton Developments. The gross floor area will be about 15,000 sq ft and completion is set for Autumn 1990.

£50m orders for Turriff Construction companies

TURRIFF CONSTRUCTION has won orders worth in excess of £50m. The largest is a contract for £6.8m to build two concrete framed buildngs of seven and five storeys for a joint venture company owned by Fearnley Developments and British Land Corporation. Other contracts inclnde a £2.7m office development for Qnorum Estates at Salford Quays and a £2.5m development for APV Chemical Machinery at Newcastle under-Lyne. At Stafford a police traffic complex and force driving school is being constructed in a £2.4m contact.

Turriff Midlands has obtained a £3.4m contract to build a warehouse and office building complex for ASDA Group and Elmswood at Lutterworth. Further contracts in excess of £5.5m include office and warehouse developments, the refurbishment of flats and the construction of sheltered dwellings.

Turriff Projects has been awarded a £5.7m design and build contract by Citygrove Developements for a retail park at Staples Corner, Edgware. Other design and build contracts worth over £5.5m include the devplopments of transport workshops, a steel framed production unit and single storey bus depot.

Moffat Whittall, a subsidiary of Turriff, has won a £2.8m contract from Wolverhampton and Dudley Breweries for a 55 bedroom extension and leisure centre at the Regency Hotel at Solihull, while Cadbury has awarded a £2.9m contract for the construction of a visitors centre at Bournville, Birmingham, which will be known as "Cadbury World".

Providing water in Utah

MORRISON KNUDSEN CORPORATION has received a contract worth abont $11m (£6.8m)for construction of a water tunnel in the Provo Canyon of central Utah.

The Olmsted tunnel project for the Central Utah Water Conservancy District involves replacement of one mile of a 8.5 ft diameter pipeline with a 10.5 ft diameter tunnel.

Brighton by-pass scheme

ALFRED MCALPINE CONSTRUCTION has been awarded a £16.6m contract for work on the first stage of the A27 Brighton by-pass – the 1.7km section from Dyke Road to Patcham in East Sussex.

The first stage will entail construction of an interchange with the A23 at Patcham and the length of the by-pass eastwards to Dyke Road. Detailed design is proceeding on the section from Kingston to Foredown Road. Work on the project has started and completion is scheduled in two year's time.

Cardiff offices

LAING MANAGEMENT CONTRACTING has been awarded the £12m management contract for construction of a nine-storey/two basement building on a site adjacent to the Principality Building Society headquarters in central Cardiff.

The building, which will comprise a reinforced concrete frame clad in reconstructed stone and curtain walling, will house high quality air conditioned offices and a separate teaching facility for South Glamorgan Adult Ednucation Authority. Completion is scheduled for the Summer, 1991. The client is Principality Property Sales.

APPOINTMENTS

Directors at County NatWest

■ COUNTY NATWEST has made the following promotions: Mr Philip Marsden and Mr Giovanni Theodoli-Braschi have been appointed executive directors of County NatWest. Mr David Barclay, Mr Nick Barton, Mr Graham Dewhirst, Mr Richard Mully, Mr Luke Withnell and Ms Lesley Tzidon have been made directors of County NatWest.

Mr David Head (who has also become a director of County NatWest) and Mr Richard Williamson are appointed executive directors of County NatWest Woodmac. Mr Geoff Allum, Mr Tony Friend, Mr David Beilbron, Mr Iain Johnston, Mr Daniel Leaf, Mr Hugh de Lusignan, Mr David Nisbet, Mr John Roddan and Mr Patrick Wellington are made directors of County NatWest WoodMac.

Mr Patrick Bulmer, Mr John Moran and Mr Peter Smaill have been made directors of County NatWest Ventures.

■ Mr David Thompson has been appointed group financial controller of STOREHOUSE from November. He succeeds Mr Colin Archer, who leaves at the end of November to join Higgs and Hill as group finance director. Mr Thompson was finance director of Mothercare and then the speciality retail division.

■ At H.SICHEL AND SONS Mr Rodney Briant-Evans has become vice chairman. He takes over the position left vacant when former vice chairman, Mr Ronnie Sichel, was elected chairman in February 1988. Mr Briant-Evans was formerly sales director.

Mr Nicholas James, who joined Sichel in 1970, has been named managing director designate. Currently marketing director, he will take over from the present managing director, Mr Denis Williams, who plans to retire in 1992.

Mr David Steele, a director, has been promoted to sales director.

■ BUCKINGHAM INTERNATIONAL has appointed Mr David Davis and Mr Charles von Westenholz as non-executive directors. Mr Murray Gordon has resigned.

■ Mr John P. Hoyle has been made a director of PEARCE GROUP HOLDINGS, the parent company of the Pearce Signs Group. He will continue as the managing director of Pearce Maintenance.

Mr Joseph de Feo (*above*) is joining BARCLAYS BANK as divisional director, central information systems department. Born in New York, he will join Barclays later this year from Morgan Grenfell & Co, where he has been director, group information technology.

■ Mr Andrew Sentance has been appointed director, economic affairs, at the CONFEDERATION OF BRITISH INDUSTRY. He was formerly associate director.

■ Mr Ian Burnham has joined PROTEUS PETROLEUM as financial director.

■ At RICHARDS, LONGSTAFF (INSURANCE) the following appointments have been made to the aviation division board: Mr Barry Birch, director, and Mr Mark Church and Mr Colin Norton, associate directors.

■ Mr Anthony Brown has joined KLEINWORT BENSON as a director. He will be responsible for compliance in the corporate finance division. Mr Brown was previously a corporate finance director at Robert Fleming & Co.

■ Mr Donald A.A. Nelson has been appointed a director of BRADSTOCK HART, formerly Ronald Hart & Co.

■ Mr Geoffrey Dickens, MP, has joined the board of CUNNINGTON & COOPER as a non-executive director.

■ Mr Peter Coombs has been appointed research director at GREENWELL MONTAGU STOCKBROKERS, the private client subsidiary of the Midland Group. He was previously head of research at Credit Suisse, Buckmaster & Moore. Mr Richard Mullens, a private client fund manager, is made a director.

■ Mr Stephen Philpott has become beer brands marketing director at WHITBREAD & CO. He joins from Sodastream where he was UK marketing director.

■ Mr Peter Carpenter has been appointed finance and strategic planning director for the newly formed MERCURY PERSONAL COMMUNICATION NETWORKS, the Cable & Wireless led consortium with Motorola of the US and *Telefonica of Spain*. He joins from British Telecom where he was director of business planning.

■ APRICOT COMPUTERS has appointed Mr Paul Newton as managing director of Apricot Financial Systems. He was Northern European manager at Nixdorf.

■ At HAMBRO GUARDIAN ASSURANCE Mr John Hunter has become assistant general manager (marketing) and Mr Ken Romney financial controller. Mr Hunter was marketing director for The Wyatt Company (UK) and Mr Romney was financial controller at Sentinel Life.

■ Mr John Walters has been appointed managing director of BROOKS CLEANING SERVICES. He also becomes a main board director of the parent Brooks Service Group. Mr Walters joins from Thorn-EMI where he was a director and general manager for MultiBroadcast.

■ Mr Roger Clark has been made chairman of MOWLEM PROPERTY INVESTMENTS and MOWLEM PROPERTY DEVELOPMENTS. He remains chief executive of John Mowlem Homes.

■ Mr John Kinnear has joined GODSELL, ASTLEY & PEARCE (FOREIGN EXCHANGE) as a director.

■ Mr R.D.C. Hubbard and Ms Kate Jenkins have been appointed non-executive directors of LONDON AND MANCHESTER GROUP. Mr Hubbard is chairman of Powell Duffryn and Miss Jenkins is a director of personnel and industrial relations at Royal Mail Letters.

■ COURAGE has appointed Mr Spencer Wolf as regional sales director for the company's eastern trading region. He was sales director at Rothmans UK.

■ Mr Jeff Stanton has been made managing director, financial operations for GRANADA UK RENTAL businesses. In addition to his previous responsibilities for finance and systems he will also be responsible for Granada Financial Services, Property and National Telebank.

■ Mr Norman Schuman and Mr Richard Schuman have been appointed to the board of QUANTUM PRODUCTS. The brothers are no strangers to Quantum as their accountancy practice, Norman Stanley, has acted as Quantum's financial advisers since the company was formed.

■ Mr H.E. Farley is joining JOHN MAUNDERS GROUP as a non-executive director. The appointment is in anticipation of his impending retirement as deputy group chief executive of the Royal Bank of Scotland during 1990.

DRUGASAR, supplier of gas heaters, has appointed Mr Geoff Hobbs (*above*) as its managing director. He was previosly national UK manager with Rust-oleum.

■ Mr Philip Hastings has been appointed sales and marketing director of DENNIS RUABON. He was formerly business development director with the Savage Group.

■ Mr Charles Maisey has been made a director and Mr Nat Jolowicz a fund manager of GREENWELL MONTAGU STOCKBROKERS, the private client subsidiary of Midland Group. They were previously at Scrimgeour-Vickers Asset Management.

■ Mr D.S. Thompson has become a director of SEDGWICK AVIATION.

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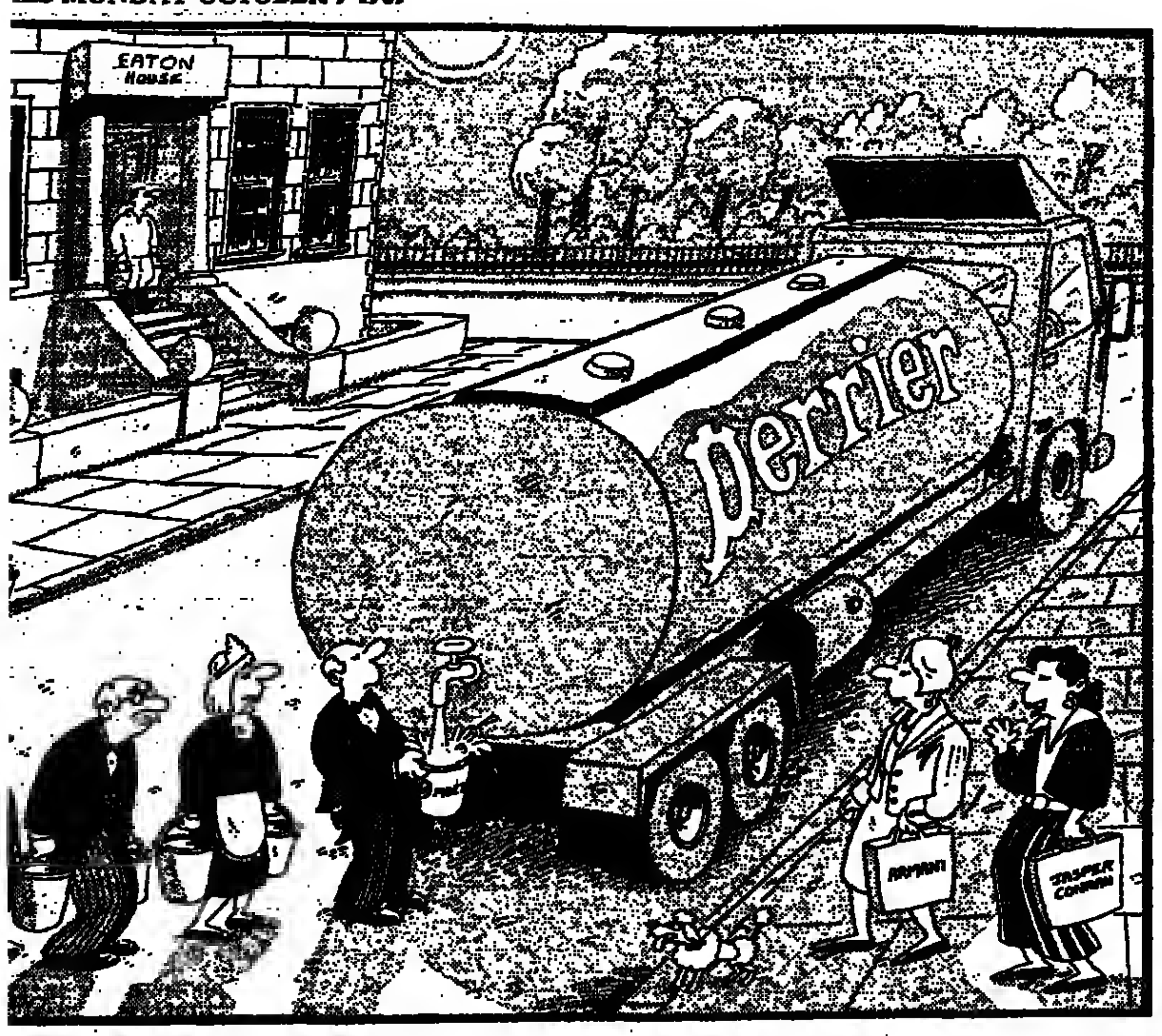
LEGAL APPOINTMENTS

SEMINARS



f eaunly we could.

'his cartoon appeared in the London Evening d on 24th July, 1989.

'he temperature in Bristol was 31°C and a was sweeping the country.

'he rumour was that the Perrier spring had).

.et us say from the start that this rumour was :t. Baseless. Without foundation. Untrue. False.

\nd wholly understandable.

?errier was, after all, very hard to find.

The reason wasn't.

t was a most unusual summer.

There was nearly 50% more sunshine than

.erwick in Shetland had 15.9 hours in one day.

.ondon had 1110.2 hours from the beginning to the end of August.

On 21st July, the South East of England was :han Athens and Rhodes.

Part of the M20 melted.

There were nearly 50% fewer rainy days ;ual.

Holiday bookings in the UK rose 20%.

Calls to the Marriage Guidance Council rose 15%.

Meanwhile, the Perrier spring was bubbling away, quite unaffected.

Why, then, if the spring hadn't run dry, did the supply run dry?

The answer lies in the unique nature of Perrier.

It is, as the label says, *eau minerale naturelle gazeuse.*

Naturally carbonated natural mineral water.

An awkward phrase, and a rare occurrence.

(For geological reasons, no such thing occurs anywhere in the British Isles, where nature can provide the water but man must provide the bubbles.)

There is only one Perrier spring.

By law, it must be bottled at source.

In other words, it must go into the bottle where it comes out of the ground, exactly as it comes out of the ground.

We can't ship it in tankers or plastic boxes, or sell it to somebody else to bottle under licence.

And, this summer, we couldn't bottle it fast enough. For, if the weather was unusual, the demand for Perrier was phenomenal.

Please, then, accept our apologies.

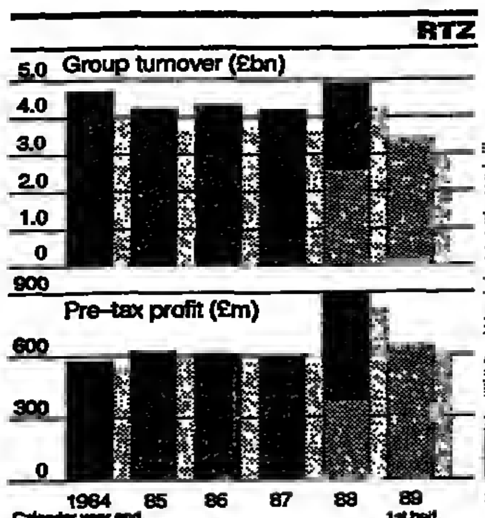
We are now enlarging our bottling plant.

If next summer is anything like this summer, there might be a shortage of water.

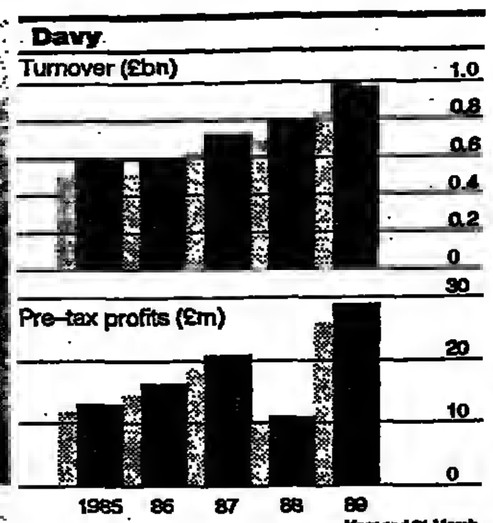
But not, we hope, a shortage of Perrier.

Sir Alistair Frame is making career moves at RTZ Corporation and Davy Corporation. **Kenneth Gooding** and **Nick Garnett** report

Everyone is 'rowing in the same direction'




Sir Alistair Frame



"Ten years at the top of a company is long enough – far too many senior executives hang on too long. You must clear the way for younger people," says Sir Alistair Frame, explaining why he is moving from an executive to non-executive role as chairman of RTZ.

A stocky Scot, Sir Alistair, 60, joined RTZ in 1968 after 13 years in nuclear power, lured away, he says, by the charm of Val Duncan and Mark Turner, who were busy turning RTZ into one of the world's biggest mining houses.

Sir Alistair was appointed to the main board of RTZ in 1973 and filled a number of increasingly senior posts before becoming deputy chairman and chief executive in 1978. In 1985 he succeeded Sir Anthony Tuke as chairman.

He says Davy International's approach for him to become its non-executive chairman was timely – he had given the *RTZ board warning a year ago that he* would lighten his load there – and was glad to take the job because "Davy is one of the largest engineering design contractors in Europe and I suspect it could be even better."

His management approach at Davy will be similar to the one he employs at RTZ: "Select good people, work as a team, employ hands-on management when things go wrong."

Sir Alistair is also on the boards of Glaxo, Toronto Dominion Bank and Eurotunnel (invited on to that because in the early 1970s he was chief executive of the *Channel Tunnel company in which RTZ* had a stake and was manager). He recently resigned from Plessey after the takeover by GEC and Siemens. He says with regret: "It was unfortunate Plessey lost its independence because it is a technological powerhouse. It was bought cleverly – but cheaply."

There is an almost tangible air of self-congratulation at the headquarters of the RTZ Corporation in St James's Square, London. It springs from a conviction that not many other groups of its size would have been fast enough, flexible enough or had the financial muscle to emulate RTZ's recent example.

RTZ this year snapped up most of British Petroleum's worldwide mineral and mining assets for $3.7bn, which analysts have universally heralded as one of the bargains of all time. Then the group partly eased its debt burden by *selling its chemical division to* Rhone-Poulenc, the state-owned French group, for £568m – equivalent to 24 times historic earnings and a price well above market expectations.

RTZ has now established itself as the world's biggest mining and metals group. "We are the only *UK company*, apart from Saatchi & Saatchi, which leads its sector in the world," points out Derek Birkin, 60, who, since 1985, has been chief executive and deputy chairman.

Sir Alistair Frame's decision to swap his executive chairmanship for a non-executive role puts the executive direction of the group even more firmly into Birkin's hands.

It also slots into place the final element in a characteristically low-key series of senior management changes following the BP purchase. For Birkin has taken the opportunity to reorganise his senior management team.

Birkin insists these changes are based firmly on RTZ's style of decentralised management, with short lines of communication and overall corporate direction in the hands of a compact chief executive's committee and the main board.

RTZ was able to snap up BP Minerals so quickly, he says because "we had a very clear statement of strategy which enabled us to grab BP when it became available. We had an organisation which was nimble and ready to move and our balance sheet was in good shape."

The BP purchase ends a five-year period when RTZ seemed to be toying with the idea of becoming an industrial conglomerate and brings it back to its roots as the dominant supplier of minerals to the world's manufacturers.

Formed only 27 years ago, *RTZ is now among the UK's* top 20 largest companies measured by market value. Birkin describes the men who built up RTZ so quickly as "geniuses". But analysts point out that the late Sir Val Duncan expanded the company at such speed that some corporate disciplines *were lacking. Duncan's successors*, Sir Mark Turner and Sir Anthony Tuke, made no big effort to change the style. The task of restructuring RTZ was left to Frame and Birkin who took over in 1985.

An important element in Birkin's success is that he has had *long experience as a chief executive*. He became managing director of a small company, Velmar Textiles, at the age of 37 in 1966. This was followed by a spell as managing director of a division of Nairn Williamson, the floor coverings group. Then in June 1970 he joined Tunnel Cement as deputy chairman and chief executive. RTZ acquired him, along with Tunnel, in 1982.

Since Frame and Birkin got to work, the head office staff in London has been streamlined and is down from 600 to 200. The board has also shrunk in size – from 26 five years ago to 12, half of them non-executives – and its average age has been sharply lowered.

Birkin insists there is no attempt to impose "an RTZ corporate culture" and that each subsidiary has its own style. RTZ attempts to encourage a nimble, entrepreneurial approach by paying top operating executives according to their own results – "but not by the bottom line – that simply encourages short-term thinking," says Birkin. RTZ has ten-year plans for its industrial businesses, he says, and 20 years on the mining side.

Every two years each operating company chief executive talks over strategy with head office and signs a written agreement. Operating companies also have to submit to RTZ's financial control system. Birkin says RTZ expects every part of the group to be run "in a way we can be proud of."

But "apart from an agreed strategy, finance and ethics, each company creates its own style and has autonomy. There is no central salary policy. No central buying policy," says Birkin.

"We don't impose marketing or pricing policies. We don't insist on *inter-company* trading. It is management by exception. We expect performance but can allow long-term planning. Anyone who tries to run a mining company on a short-term basis is nuts."

However, he strongly resents any suggestion that RTZ is just another conglomerate. Head office does more than collect the cash flow and pass it on as dividends. It determines strategy and makes sure there is an adequate balance between products sold and the geographical spread of the businesses. It "makes sure everyone is rowing in the same direction. It stops projects being worked on to no avail and being a waste of time."

A fundamental review of strategy started three years ago. It led to the disposal of the group's oil and gas interests because RTZ did not wish to be a minor player in that business nor to spend the money required to join the majors. A range of under-performing assets was also sold. Companies were sold as going concerns and most employees kept their jobs.

At the *same time* RTZ tightened its grip on other associates to have access to their cash flow rather than making do with dividend receipts – "we want to own 100 per cent of subsidiaries if we can and, if we can't, we want 50 per cent and management control."

RTZ also acquired some industrial companies with activities which were downstream from its minerals interests. Among them was the £225m purchase early in 1988 of MK Electric: a neat fit with the RTZ Pillar subsidiary's aluminium products for the construction industry.

But the BP acquisition and disposal of the chemicals division has brought RTZ's focus forcefully back to metals and mining, added substantial gold interests to the portfolio and places more than half its assets in North America.

There seems no sign after all this hectic activity that Birkin intends to take a breather. The group's gearing (net debt compared with total equity) rose sharply from 7 per cent to 78 per cent after the BP deal in spite of a rights issue of shares which *raised* £486m net. *Sale* of the chemicals division reduced gearing to 33 per cent and "reinforced RTZ's ability to take advantage of the many opportunities that lie ahead."

That's a pretty broad hint that RTZ will continue to play an important part in the widely expected rationalisation of the world's mining and metals industry.

KG

Strategic decisions on Europe lie ahead

It could be a very good time for a man of the energy and background of Sir Alistair Frame to succeed Lord Jel*licoe* as chairman of Davy Corporation, the engineering contracting company.

Davy, a member of the slightly stuffy but solid engineering establishment in the UK is now turning in a good financial performance after the miseries it endured in the mid-1980s. But the company which the Davy brothers founded in Sheffield back in 1840 has some difficult strategic decisions to make on developing partnerships in Europe and in reducing the group's exposure to cyclical downturns

Such decisions, and Davy's plan to try and further differentiate the technology it offers from that of its competitors, could be helped along by a man whose background is firmly rooted in technology, engineering and business development.

Davy is a white rather than a blue collar company. Only 2,000 of its 12,000 labourforce work in divisions that actually manufacture anything. The company's business is overwhelmingly based on providing turnkey and design capability for building complete manufacturing and processing plants and for some of the equipment that goes into them.

When general world demand for plant slid in the early 1980s, Davy took it on the chin – as did all engineering contractors. Turnover fell from £777m in 1982 to £581m three years later. The company made bottom line losses after extraordinary items for two of those years and a programme of cuts took the workforce down from 20,000 to 8,500.

It is a different picture now. Davy made a pre-tax profit of £28.8m in the year to last March on turnover of £968m, up from under £800m the previous year. It has at the moment more than 66 projects in hand each worth more than £10m to Davy and 143 worth between £1m and £10m. Its forward workload was up a quarter on last year and the workforce has climbed to 12,000.

It is not all plain sailing though. The company has run into trouble twice with de-sulphurisation plants, one in West Germany, the other in East Germany. Delays in completion of the East German one, reported at the end of last month, caused Davy's share price to dip 13p overnight.

A number of specific features other than normal internal growth have made a big impact on its improved performance. One was the purchase of A. Monk, the building and civil engineering company in 1986. This company has benefited from the healthy state of UK construction and now accounts for a fifth of Davy turnover.

Another was the shrewd buy for little money of the Dravo engineering contracting company in Pittsburgh, in the US, at the end of 1987. This business has a lot of work, part of it for the re-equipping US steel industry.

Davy's performance has also ridden on the back of the general worldwide surge in demand for new production plant which has helped all its competitors, including the once-struggling giants of the US, Fluor and Bechtel. But strong demand will not last in all sectors.

The company finds it irritating that, for all its expertise, its share of the total cash value of an average turnkey contract is only 2 or 3 per cent (it brings in other companies to do most of the actual construction and to supply most of the equipment).

Davy is very much run by its executive board and by its chief executive, Roger Kingdon, who has known Sir Alistair since the 1960s.

Kingdon has strong views on where Davy should be going. Firstly, he says: "We are trying to get a higher level of earnings from less glamorous but more steady businesses." This includes offering more services and training packages to customers and expanding in mechanical handling – the company makes and designs cranes and a significant acquisition in the US will be announced soon. It also, he says, includes expanding its work in supplying offshore equipment and in civil engineering but he does not want to buy any more building companies.

A second thrust is to build on and market better what distinctive elements it has in its technology. "Supplying a better mousetrap," Kingdon says. This covers a wide field from blast furnace technology and thin strip casting, to plastics engineering, magnesium production and processing of gold.

Thirdly, Davy is negotiating to set up a joint company with one of its European competitors covering at least one of Davy's divisions, believed to be either metals or the processing division. Davy already has a series of partnerships with companies like McDermott (on offshore engineering), Otto (blast furnaces), and Lurgi (sinter and pellet plants). Kingdon says the search for a European partner in a larger, more permanent, joint venture business is not specifically linked to the upcoming more open European market after 1992 but mainly to share and therefore lower Davy's cost base for designing and selling its services.

All this is designed to get Davy into a better shape before leaner times arrive in some of its main markets.

NG

ARCHITECTURE

Swansea shows the way

It is in the regions of Britain that the architectural renaissance is beginning to flower. One particular place that has achieved a remarkable blooming is Swansea in South Wales. The achievements here are remarkable for two reasons: firstly, the city has shown a real determination to recover from the process of de-industrialisation and find a new role for the city based on the arts, tourism and sport; aecondly, the council'e leadership has encouraged a partnership with the private sector that has hrought substantial investment to the city.

Swansea had a very successful Victorian heyday as a port and industrial centre for the metallurgical industries. It was not overloaded with 19th-centnry monumental buildings but had fine ones – like the Royal Institution of South Wales, now the museum, and a Victorian core to the maritime area that is now a conservation area. It is the Swansea Maritime Quarter that is the most successful mixture of new and old architecture and one of the most interesting new developments in Britain. The key to this success lies in the decision to add art to the rebuilding formula, which is not as easy as it may sound.

Swansea has not just produced one or two well placed contemporary artistic appendages to new buildings. Instead it has evolved a programme – to quote from the city's own publicity – "of public sculpture and hand crafted artwork, the result of a calcnlated architectural enhancement project which seeks to expand Swansea's spiritual history and identity." These are unusual words to find in a local authority manifesto and they are not just well meaning: they are instructions that have been carried out to the letter and produced remarkable results.

Two people have worked to ensure the success of the refurbishment and renewal of the city. One is the Director of Development, Mr Trevor Osborne and the other is the council's special projects officer, architect, Mr Robin Campbell.

The Maritime Quarter is situated between the central area of the city and the Bristol Channel. Its decline set in after the First World War, when the metal refining industries could no longer compete with those in the US. The council purchased the closed docks in 1969 and work began on filling in the basins. But by 1975, the opportunity was seen to utilise the existing conserved huildings and to keep the water in the basins to provide a marina. The decision was taken to ensure that the whole quarter would become an effective urban village.

Thns an industrial wasteland became a habitable and beantiful place with a strong sense of history. There are now more that one thousand homes, workshops, restaurants and pubs in the quarter, as well as an industrial maritime museum and the Dylan Thomes Theatre. Set as it is on Swansea Bay, the whole area has a remarkable clear light and its close association with the sea has been celebrated by many of the artists working in the scheme.

The pnblic paths and new pedestrian squares are adorned by a complex and rewarding programme of public sculpture, which is the most remarkable thing about the whole area. Contemporary public sculpture and carved stone panels are set in and aronnd the new architecture. A Tower of the Winds, a lighthouse, landmark beacons, walls carved with the names of ships, all contribute to the creation of a "genius loci".

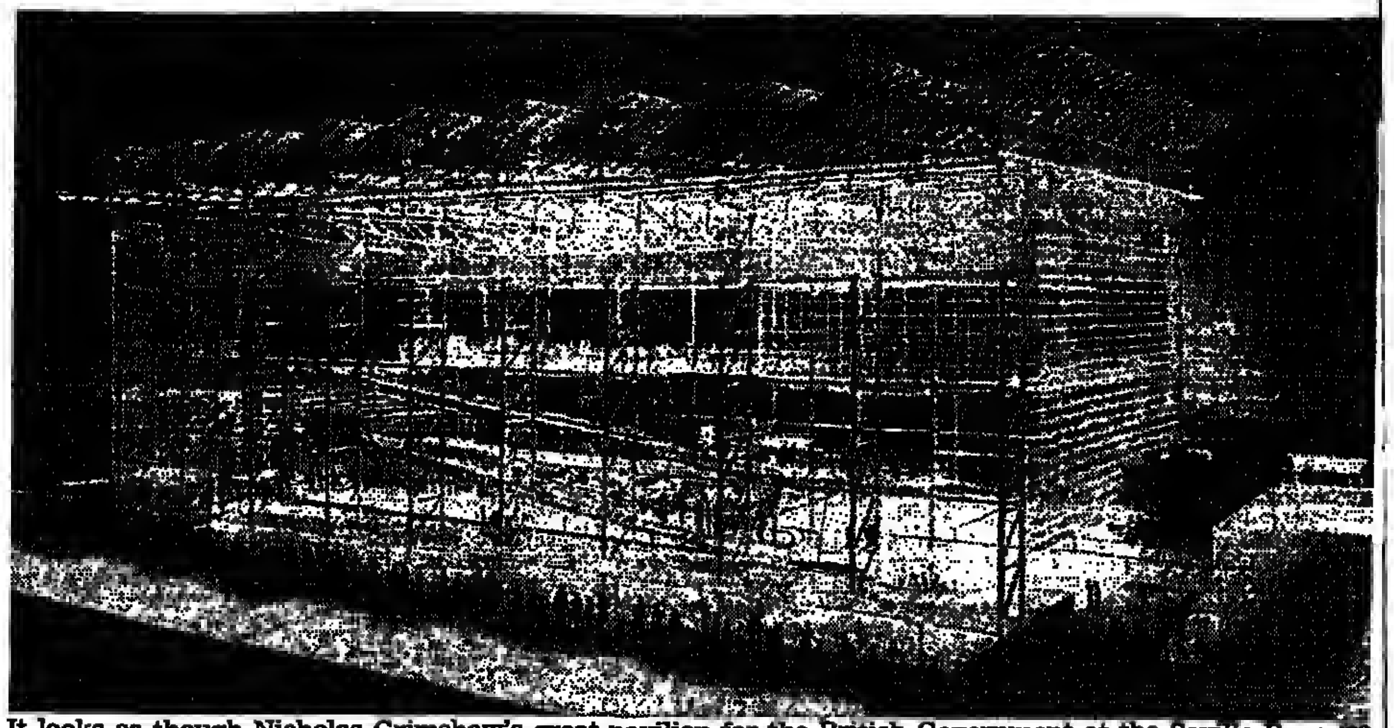
This does not appear as something phoney and applied, but as an integral and narrative device that genuinely adds meaning to the whole area. Construction is beginning on a public observatory – a striking pair of towers that will give memorable focus to the sea front. Also currently under construction is a work by one of Britain's most interesting artists – Ian Hamilton-Finlay. He has designed a Tower of the Nets – full of allusions to both classical sources and the significance of ropes, nets and the sea.

National scnlptnre competitions have resulted in the placing of three important works in the development. Perhaps more importantly, the city's example has encouraged the private sector. J. Sainsbury plc recently held a sculpture competition for e work of art to enhance the landscaped areas in front of their large Swansea store. "Flying Figurehead" by David Backhose was unveiled in late September. It is a striking, beautiful work which enhances the area with its mythic and maritime associations.

This sort of act of enlightened patronage has heen inspired hy the constructive partnership between the city and the private sector; and for this kind of partnership to produce a new slice of city that is e coherent artistic and aesthetic whole is an extremely rare achievement. The fine resnlts have hrought visitors to the town, and new residents and activities. Intelligent pnblic art, that enhances a sense of place and adorns simple modern architecture, is welcomed.

Swansea is now a leader and a model for developers. Mr Campbell ehould be overwhelmed with requests for advice. He has shown that real aesthetic advances can he made in redevelopment.

Colin Amery



It looks as though Nicholas Grimshaw's great pavilion for the British Government at the Seville Expo '92 will be a major achievement of a different sort. It has been described as a Westminster Abbey of steel and glass. It is spectacular, with its great wall of water and a skyline of solar panels that will give the building "benign energy." As a setting for British achievements the Grimshaw building promises to be an extraordinary architectural achievement.

Piano

COVENT GARDEN

Ashley Page's latest creation for the Royal Ballet, *Piano*, received its first London performance on Friday in a new triple bill at the Opera House. In opting to make choreography to Beethoven's first piano concerto, Page was taking the gamble that his dances would somehow illuminate a masterpiece. In an evening which opened with Balanchine's realisation of Stravinsky's piano capriccio (not the most felicitous programming) a great master's penetrating and imaginative response served to highlight the problems faced by Page.

In eliciting portentous design by Howard Hodgkin, he also loaded the dice against himself, for the piece is over-decorated, over-dressed. (The Balanchine/Stravinsky *Rubies* is, incidentally, still performed against monumental walls of strawberry mousse provided by André Levasseur, and looks queasy). Hodgkin's set is e vast easel painting featuring massive brush-strokes of green and blue, gradually revealed to us as the ballet progresses, with two flights of stairs at either side of the stage. Costuming is perverse, exasperating. The women wear full-cut dresses in flame orange with white or brown over-skirts, orange tights and shoes, long white gloves (which they eventually lose) and hat-brims like black haloes, which are also doffed as the dance goes on. The men are in see-through black, the leading couple in knickerbockers.

There is a wilful air to these outfits which all too aptly matches the dance. This gabbles and stutters in classic numbers, distorts them, seeking with a certain feverishness for innovation.

The manner which Page was successful in devising for his earlier and exhilarating *Pursuit*, here seems arbitrary in trying to make its mark on the concerto. At worst the dance diminishes the score as it apes musical phrases, formal invention in a consciously "clever" way. At best, its tricks are feverish, short-lived, and nowhere touch Beethoven, as the cast skitter and crouch, examine their feet and rush busily about. It is animated cartoon choreography.

The musical standards of the evening, which also brought MacMillan's response to the Fauré Requiem, were dispiriting under Isaiah Jackson's baton. The Beethoven concerto was heavy-footed; the Stravinsky lacked tension (as it did in performance, though I salute Errol Pickford, quick off the mark and bright in style, making his debut in the male role). The Requiem was clogged in texture, lethargic, vocally miserable. MacMillan's imagery invites contrasts between the luminosities and elegance of the score and the poses, anguished or hopeful, of the suppliant cast. The company performance, with the exception of Fiona Chadwick's intensity in the Agnus Dei, was mired in the slack account of the music. And Yolanda Sonnabend's translucent setting, far less well lit than in the original Stuttgart production, lost its radiant purpose.

As an addition to an already dense evening, *Jerome Robbins' Other Dances* was given by Sylvie Guillem and the Paris Opera star, Laurent Hilaire. M. Hilaire was elegant and dashing in style as ever; Mlle Guillem provided a great deal of rather unyielding technique. But *Other Dances*, that tribute to Makarova and Baryshnikov, is about the way bodies yield and curve to the impulses of aristocratic Polish dancing. And that is still a Kirov secret.

Clement Crisp

Alastair Muir

Viviana Durante and Bruce Sansom in Piano

OBITUARY

Bette Davis

Bette Davis, Hollywood's most imperious diva, died at the weekend, aged 81. Davis was probably the best American actress who ever ascended to screen stardom. Unlike many movie greats, she never rested on her mannerisms; though these were strong and plentiful: notably the Venus fly-trap eyes, frightening when open and even more frightening when narrowing, and the swooping, acerbic delivery. Her voice, at least in the later decades of a 60-year career, sounded as if it was regularly bathed in sulphuric acid.

Born in Massachusetts in 1908, Davis became unbeatable for her versatility. She encompassed a whole range of heroines: from the yearning wallflowers of *The Old Maid* and *Now Voyager* to the fire-breathing first ladies of *The Private Lives Of Elizabeth and Essex* and *The Little Foxes*.

The only common denominator in these characterisations was their New England spirit. Davis's forte was for the clipped, incisive and puritanical. Yet within that range Davis could span both the choked and thready pathos of her love-lorn spinsters and the orchidaceous sarcasm of *Beyond The Forest* or *All About Eve*. Her first utterance in the former – "What a dump-p!" – became immortalised as the opening line in Albee's *Who's Afraid Of Virginia Woolf*.

Davis off-screen could be as wilful and independent as she was on-screen. A contract artist for Warners for 18 years (1931 to 1949), she had many battles with studio head Jack Warner, whom she accused of wasting her in bad films. After she brought (and lost) a legal suit against the studio in 1942, Warners began treating her with more respect. Her work for the studio in the 1940s helped turn her into Hollywood's top female star.

When she left Warners, she instantly landed on her feet by playing Margo Channing in *All About Eve* (1950). The performance narrowly failed to win her a third Oscar – previous statuettes were for *Dangerous* (1935) and *Jezebel* (1938) – but it went straight into movie history; along with its best-known line, "Fasten your seat-belts, it's going to be a bumpy night."

After a brief sojourn in the wilderness which, in the late 1950s prompted an out-of-work Davis to place an advertisement in Variety asking for employment, she thundered back in *What Ever Happened To Baby Jane*, stealing the film from her longtime Hollywood rival, Joan Crawford. After that, Davis enjoyed an honourable semi-retirement: popping up in cameo roles, writing her memoirs, and for a long time kept obituary writers at bay despite bad health and major cancer operations.

As an actress, she was a formidable presence. It is some sorrow that Hollywood, after *All About Eve* never quite capitalised on the acidulous majesty of her later years. But then, as Miss Devis herself would have said in an earlier incarnation, "Why ask for the moon when we have the stars?"

NA

Ileana Cotrubas

COVENT GARDEN

When Ileana Cotrubas sang her first *La traviata* at Covent Garden in 1974, she created a stir that even now is not forgotten. It seemed unlikely that another soprano would come along to rival this Violetta in the course of her career and so it has proved, even if that career's end has arrived with unexpected suddenness. Cotrubas's recital on Thursday night was her farewell to this country.

In an interview the singer has said that she no longer feels comfortable with her young, "fragile" heroines, but equally has no wish to move on to heavier parts, so now seemed the time to go. As the evening progressed, one could perhaps sympathise with her decision. The voice has noticeably loosened in vibrato and does not sound as if it wants to be worked hard, even if its capacity to tug at the heart strings is as affecting as ever.

In the first half she began with songs. A group by Enesco (obviously a favourite composer, for she has included him before) were touchingly beguiling, if short on the purity of line which they seem to invite.

Wolf introduced her infectious sense of humour in a selection from the *Italienisches Liederbuch* and Joseph Marx – fullness of sound, especially at the top, that one is inclined to forget this soprano could muster. Her beautifnl singing of "Nocturne", over Geoffrey Parsons's rippling arpeggios, was a lovely swan-song for a lyric Strauss soprano *manqué*.

After the interval the occasion clearly demanded e selection from the operatic roles that she has made her own. Of these, it was Manon's "Adieu, notre petite table" that really hit home, the voice warm and vulnerable, calling out in that beseeching way that has made so many operatic heroines speak to the hearts of her audiences. Donizetti's Norina really needed a sharper Italian core to the voice, Verdi's Leonora from *La forza del destino* (not hitherto a Cotrubas role) more muscular power.

But then, as one looks back, it was never technical proficiency of any kind that made Cotrubas a singer one wanted to catch every time she appeared, but that special ability to make singing live and breathe and move an audience, without the mechanics of the vocal art ever getting in the way. Each portrayal worked as a vocal, dramatic whole. With the encores the goodbyes rolled on, not only Manon's Farewell, but Mimi's Farewell and Violetta's Farewell. "Addio senza rancor," indeed.

Richard Fairman

Joan Sutherland

ST JOHN'S SMITH SQUARE

In their gala recital for the benefit of the St John's Smith Square Organ Appeal, Joan Sutherland and Richard Bonynge ranged far and wide, from Rossini to Oscar Straus, and levels of accomplishment ranged fairly widely as well.

In truth Dame Joan, like the wirelesses in *Much Binding in the Marsh*, took a little time to warm up and, initially, one was searching nervously for nice ways to say less nice things. A *precauzione inutile* after the first half-dozen numbers, during which there was nevertheless much of the real Sutherland to admire: the inimitable pearly tone et the top of the stave turning to sweetest silver, the extra emphasis given to words at this stage of her career, the realisation that for a long time it is going to be impossible to hear Donizetti without recalling that very special moulding of musical line.

But as she launched into "I dreamt I dwelt in marble halls" it was plain that she was utterly relaxed and starting to enjoy herself as much as the audience – and once this particular member of it hears the Sutherland trill, he surrenders abjectly.

She turns this sort of base-ish metal into pure gold – repeating the process with the Tosti "Serenata" that followed – and as ever judges to perfection the amount of humour and charm that a song like Bizet's "Pastorale" or indeed Donizetti's "Mezzanotte" can or should take.

Perhaps the Massenet group suited her less well (the grandest of sledgehammers with the tiniest nuts) but again her care with the words told strongly, and "Les yeux clos" was more deeply felt than anything else in the evening.

For the finale she chose Annetta's rondo from the Riccis' *Crispino e la comare*, pushing her music stand away with a roguish grin and immediately getting spectacularly lost. She, Bonynge and the audience collapsed with laughter, they started again, and suddenly we were all hearing the Sutherland of 30 years ago – the roulades, the arpeggios, the trills, the unfailingly bright tone, all simply unbelievable. The house fell apart.

After *The Chocolate Soldier*, what else but "Home, sweet home"? This was in no sense a "Farewell" recital, but when that time comes, I trust Dame Joan will give just as many farewells as the legendary compatriot to whom she here paid tribute. And I hope I shall be there to hear them.

Rodney Milnes

Cinderella back for Christmas

Frederick Ashton's *Cinderella*, set to Prokofiev's music, returns for Christmas at the Royal Opera House on December 22 with Maria Almeida and Jonathan Cope in the leading roles.

Sylvie Guillem will make her Royal Ballet debut as Cinderella on January 10, partnered by Jonathan Cope.

Wayne Sleep is returning to the Royal Ballet for the first time in nine years for two guest performances as Alain in Ashton's *La fille Mal Gardée* on January 29 and 30.

Lesley Collier and Stephen Jefferies will lead the first night cast on January 16.

Three Screaming Popes

TOWN HALL, BIRMINGHAM

Mark-Anthony Turnage's new 15-minute orchestral piece is the result of a commission from the Feeney Trust for the City of Birmingham Symphony Orchestra. It received its first performance from the orchestra under Simon Rattle, last Thursday, when it was also announced that Turnage has been appointed composer-in-residence there for the next three years. Under the scheme, sponsored by the Radcliffe Foundation, he will write works for the Birmingham Contemporary Music Group, the CBSO Chorus and the orchestra itself. It's a substantial commitment, on both sides, though to judge from the thrilling account of *Three Screaming Popes*, Turnage should have no doubts about the ability of Rattle and the CBSO to present his new works with maximum effect.

The title refers to the primary layer in the inspiration for this balefully fascinating piece. In 1985 Turnage attended a Tate Gallery exhibition of the paintings of Francis Bacon and, overwhelmed by the three *Pope* paintings, made plans for a work based upon Spanish dances which distorted and transformed the originals in a similar way to Bacon's reworkings of Velasquez in these paintings. The project lay dormant for a while – et one point he contemplated making an orchestral Mass from the idee – and then, after the opera *Greek* had been completed and performed in Munich in June 1988, Turnage returned to the piece.

Little of the Spanish originals remains – a snatch of tango rhythm here and there: the rest has either been submerged under the orchestral textures or used as a rhythmic framework and later expunged altogether.

But the result is a compulsive, vividly coherent piece. Melodies constantly develop in long sinuous lines; the rhythmic profiles gain in insistency, though the second of the interruptions, trickling harp and celesta later doubled in the woodwind and Britten-like in its clarity, threatens at one point to divert the course of the piece altogether.

Apart from the exquisite little brass piece, *Release* written for a BBC2 documentary last autumn, *Three Screaming Popes* is Turnage's most significant achievement since the composition of *Greek* and he identifies it with the same body of work – like the opera, he says, it is "exuberant and brash." But it is more than that: the dark-hued scoring (with a positive fondness for extremes of register) and the fragility of the melodic statements, as if struggling to articulate themselves, givas the score e disturbing clarity. Everything is plotted precisely; the music seems more certain of its aim, but that destination seems more ambiguous, too.

Andrew Clements

ARTS GUIDE

October 6-12

MUSIC

London

The Philharmonia conducted by Esa-pekka Salonen, with Olli Mustonen (piano). Beethoven, Ravel, Stravinsky. Royal Festival Hall (Tues) (01 928 8800).
Academy of St Martin in the Fields directed by Iona Brown. Mendelssohn, Britten, Bridge, Schubert/Mahler. Queen Elizabeth Hall (Thur) (01 928 8800).
Orchestra of the Age of Enlightment conducted by Sir Charles Mackerras, with Lynne Dawson (soprano), Anthony Rolfe-Johnson (tenor), David Wilson-Johnson (bass). Haydn'a Creation. Queeo Elizabeth Hall (Wed).
BBC Symphony Orchestra conducted by Lothar Zagrosek, with Christian Blackshaw (piano). Mozart, Mahler. Royal Festival Hall (Thor) (01 928 8800).

Paris

Quatuor Ravel. Schoenberg, Beethoven. **Ensemble Mosaiques** conducted by Christoph Coin. Haydn. Both concerts Monday at the Théâtre des Champs Elysées (47203637).
Orchestre National de France with soloists. Beethoven, De Castillon, Chausson (Wed). Auditorium des Halles (40282828).
Barbara Hendricks (soprano) with Maria Joao Pires (piano). Schubert, Mozart (Wed 8.30). Théâtre des Champs Elysées (47203637).
Orchestre de Paris conducted by Semyon Bychkov, with Maurice André (trumpet). Bach, Schnittke, Haydn, Prokofiev (Wed, Thur). Salle Pleyel (45630796).
Quatuor Ludwig. Berg, Beethoven (6.30pm). **Quatuor Borodine.** Shostakovich, Beethoven (8.30pm). Both concerts Thursday at the Théâtre des Champs Elysées (47203637).

Versailles

Centre de Musique Baroque evokes 1789, the crucial year, by music in Versailles until November 25. There will be the opening mass for the states general, symphonies dedicated to Marie-Antoinette and a concert given over to her harp music, works by the Italians in Versailles and an evening of music of the Trianon Palais. (42334300).

Vienna

Elisabeth Leonskaja (piano). Prokofiev, Shostakovich, Mussorgsky. Konzerthaus (Mon).
Wiener Symphoniker conducted by Heinz Holliger. Liszt, Holliger, Mahler. Konzerthaus (Wed).

Berlin

Tonhalle Orchestra from Zurich conducted by Hiroshi Wakasugi, with Dmitry Sitkovetsky. Tchaikovsky and Shostakovich (Mon). Philharmonie.
Berlin Philharmonic Orchestra conducted by Erich Leinsdorf. Brahms, Schumann and Busoni (Tues, Wed). Philharmonie.

Rome

Chiesa di S. Maria Sopra Minerva. The Clemencic Consort of Vienna conducted by René Clemencic playing Guillaume de Machaut's Notre-Dame mass (Wed) (393304).
Teatro Ghione. The young Russian violinist Vadim Repin playing Bach, Brahms, Ysaye, Chausson and Ravel, with pianist Irina Vinogradova (Mon) (68.72.294).

Milan

Teatro Alla Scala. Soloists from the Berlin Philharmonic playing Mozart, Verdi, Richard Strauss and Schoenberg (Mon) (80.91.26).

New York

Carnegie Hall. The first week of the new season features the San Francisco Symphony conducted by Herbert Blomstedt with Cho-Liang Lin (violin) in a programme of Schumann, Berg, Beethoven (Tue). (247 7800).
New York Philharmonic conducted by Helmuth Rilling. Bach programme (Tue, Thur). Avery Fisher Hall (874 2424).
Juilliard String Quartet. Haydn, George Perle, Debussy (Wed). Juilliard Theatre, Lincoln Center (free).
Peter Serkin (piano) and Young Uck Kim (violin) recital. Beethoven programme (Wed). Kaufmann Hall (996 1100).

Washington

Warsaw Sinfonia conducted by Sir Yehudi Menuhin, with Robert McDuffie (violin). Mendelssohn, Bruch, Lutoslawski, Haydn (Wed). Kennedy Center Concert Hall (467 4600).
National Symphony Orchestra conducted by Peter Maag with Michel Block (piano). Mozart programme (Wed, Thur). Kennedy Center Concert Hall (467 4600).

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The death of a party

THE HUMANE execution of state Communism was done messily, with many ambiguities and with many questions unanswered. But the transformation of the Hungarian Socialist Workers Party into the Hungarian Socialist Party, founded on a brief and still contentious statement which claims for the new party the mainstream of western European socialism, has been done. That is a bold and momentous act, and it must be celebrated as such.

The founding document, still the subject of passionate debate, explicitly closes the era of monopoly power and democratic centralism. Human rights and freedom are no longer to be subordinate to imposed equality or the domination of a "leading class"; the party itself will be subject to the constitution of the state. A party which had been the beneficiary of the Soviet invasion of 1956 has been metamorphosed into one which shares the dominant Western view that the crushing of the Nagy government was an obscene tragedy. No other ruling Communist Party has gone that far.

Moreover, it is probably an irreversible step. Mr Mikhail Gorbachev, the leader of the party which 33 years ago sent tanks into Budapest, has this past weekend reserved his barbs for Mr Erich Honecker, the immobile face of East German Communism. There is no reason to doubt the revisionist fervour of the leading reformists in the new HSP. Even if, in future, democratically elected government falters before the economic crisis, there is scant chance that Hungarians will yearn for a dictatorship to sort it out.

Painful account

But democracy still depends on human agents, within and outside the new party. The reformers still have to ensure that the rules, programme and cadre are purged of past practices and assumptions, no easy thing when most of them have been used to pulling on levers which moved both party and state. They must not only make the most searching and painful account of their past, they must admit complicity in it. They have billions of forints-worth of assets which properly belong to the people. They have expended much rhetoric, this past weekend, on genuflecting to the will of the people. If that will goes against them, they have yet to evolve the rhetoric and practice of constitutional opposition.

Freedom's effect

The opposition has equally high responsibilities. They are conventionally derided for being split into a dozen different groups, but that is freedom's effect and they have proved that they can come together behind one candidate in past and for future by-elections. The largest opposition group, the Democratic Forum, has been charged at times with chauvinism and anti-semitism — but none of its leading members show any signs of it, and there is as yet no demagogue to be found in the whole spectrum of opposition politics. They have no more experience of electoral politics than the former Communists and it will be hard to contain the explosive force of old scores and new ambitions. But they are all in the same, small, central European boat, and so far have shown the same disinclination to rock it too violently.

Two conclusions emerge from this great weekend's work. One is that reform Communism is a means of transport, not a destination. As soon as the reformists ended their party's monopoly, they were on the same terrain of ideological inexactitude as Socialists, Social Democrats, Democratic Socialists and Social Liberals the Western world over. It is the dawning of this fact which makes the founding congress of the Hungarian Socialist Party such a turbulent one.

The second conclusion is that the reformers can expect no gratitude from their own people. Why should they? They had, until Saturday October 7 1989, spoken and acted in the name of a party which had never asked public permission for its rule nor atoned for nor even admitted its crimes. The party radicals are arguing still about how much obloquy they can heap on their past, how little they owe to their roots. But for the electorate, the proof has yet to be given. It will have to ring true, and it will have to last.

Tortured logic on VAT

THE HEAT generated by the debate on the treatment of value added tax (VAT) in the European Community may seem incomprehensible to the layman, but it is no mere technicality. The outcome will have a crucial bearing on the one aspect of the 1992 programme that fires the imagination of many of the Community's 320m people: the abolition of national border controls between the 12 member states. That is one reason why a meeting of finance ministers in Brussels today on VAT is important. Another is that a set of proposals prepared by their officials on the treatment of VAT revenues in a Europe without frontiers looks, at the very least, questionable. The risk is that the gains from trade arising from a significant part of the single market programme could be eroded.

Under the present system of VAT, exports from one country in Europe to another are zero-rated; that is, the exporter does not charge the foreign customer VAT. Imports are then charged at the domestic rate in the importing country — the so-called destination principle. The abolition of national borders raises a problem because fiscal frontiers control VAT payments. Without a check at customs posts that goods have left the country, companies would, for example, be tempted to claim that they had exported goods, eligible for zero-rating, while diverting them to the home market.

Clearing house

The solution proposed by Lord Cockfield during his tenure at the Commission was logic itself: in a Europe without frontiers VAT should be levied as in a single country. The snag is that this would lead to a reallocation of tax revenues between member states. Hence Cockfield's proposal for a clearing house whereby member states would balance out each others' obligations in such a way as to restore the previous allocation of revenues.

Despite the logic, the scheme involved costs for business relating to the collection of information. Member states were also mutually suspicious of each other because of an enforcement problem. Customs authorities had no incentive to investigate fraudulent claims relating to imported goods on which VAT could be reclaimed, because they themselves could reclaim the money from the clearing house.

Subsequent attempts by Lord Cockfield's successor, Mrs Christiane Scrivener, to base the clearing arrangement on national trade statistics simply revealed that finance ministers were not prepared to trust their own figures. In a way that defies popular assumptions about lack of accountability in the Community, the Commission's Mrs Scrivener has offered finance ministers numerous other concessions. Yet the paper under discussion today, which enjoys unanimous support of the member states, bluntly rules out any clearing mechanism. Instead it proposes a continuation of the destination principle, while imposing heavy checks on the books of traders on both sides of cross-border transactions.

Important symbolism

It is possible to exaggerate the economic benefit of abolishing frontiers. The direct gains are only a small part of the overall addition to European GNP expected to arise from 1992. And the new proposal would not require the re-imposition of border controls, which means that the important symbolism of Europe *sans frontières* would remain intact. But not much more, if border controls are replaced by an equally bureaucratic system built around heavy monitoring of traders' books.

The sensible way forward would be to negotiate a simpler means of establishing a pattern of payments between the 12. But with the 1992 deadline pressing and governments determined to protect national revenues down to the last Ecu, ministers seem likely to take the soft option — some form of compromise between the bureaucratic approach on offer today and an earlier British proposal, also based on the destination principle, involving lighter enforcement and thus a temptation to fraud that would increase pressure for the reimposition of border controls. It is all a far cry from what 1992 was supposed to be about.

Simon Holberton examines the debate over UK Government spending plans

The fight for the public purse

FOR 10 years the British Government has applied the screw to public spending. But it is unlikely to be able to do so for much longer.

Since the beginning of last month the annual Cabinet spending negotiations have been in full swing. Mr Norman Lamont, Chief Secretary to the Treasury, has been meeting the ministers responsible for spending to see if he can turn the screw one more time, or at least maintain the pressure.

So far his efforts have met with little success. Few departments of any consequence have settled next year's spending with the Treasury.

The negotiations will continue at this week's Tory Party conference, and it is likely that the Star Chamber — the Government's court of last appeal for determined spenders to be chaired by Sir Geoffrey Howe — will have to sit in judgment for the first time since 1986.

This year's public spending review is seen in Whitehall as the toughest since the early 1980s. It is not hard to see why. The Government's aim of bearing down on spending is being threatened on two fronts: by demands for higher spending to meet the Government's own reforms, and by the state of the economy.

The Treasury, which controls the purse strings, has failed to get inflation down despite running a Budget surplus of £10bn to £14bn. Overheating of the domestic economy, evidenced by buoyant growth in spending and credit, is still a problem. Moreover, the economy has proved much less susceptible than the Treasury had hoped to its chosen method of curing overheating and controlling inflation — high interest rates.

As many resolutions before the Tory Party conference attest, high interest rates have been painful for the community at large but they have not delivered all they were meant to, or at least not at the 14 per cent level now raised to 15 per cent. Inflation remains stubbornly high, the labour market is still exerting inflationary pressures (primarily through demands for higher pay rises), and the trade deficit continues to grow.

The Treasury's failure to control inflation this year has important consequences for spending: it has lopped between £3.5bn and £5bn off the real value of projected departmental spending for the 1989-90 year. Assuming inflation, as measured by the gross domestic product deflator, is higher than the 3 per cent forecast for

This year's public spending review is seen in Whitehall as the toughest since the early 1980s

1990-91 by the Treasury a year ago (say, 5 per cent) then the real value of spending could be about £1.5bn lower than expected.

The Treasury is putting on a brave face. Its first line of attack is to tell ministers that it will not accommodate higher inflation by increasing departmental spending. Its second, to remind ministers of the Cabinet resolution they signed in July. Ministers committed themselves to holding as close as possible to the cash plans as laid out in last November's Autumn Statement and they reaffirmed that the objective of reducing spending as a percentage of GDP remained.

After 10 years of battle, general government expenditure (excluding privatisation receipts) now consumes just under 40 per cent of Britain's national income compared with 43¼ per cent when the Government took office in 1979. In recent years, however, the objective has been achieved as much because of rapid economic growth as because of stringent spending controls.

Despite its tough talk on public spending, the Government has been prepared to shift its ground. In its 1980 public spending white paper, the Government's objective was progressively to reduce public spending in volume terms. Subsequently, the aim was to hold it constant in real terms; now the policy is to reduce public spending as a proportion of gross domestic product.

That policy is threatened by a number of factors. The Government is being forced to deal with the spending implications of many of its "third term" reforms, like the reshaping of local government finance and the restructuring of the education system and the National Health Service.

In addition, there are extra demands for more money for public order, transport and the environment; and the continuing pressures on departmental budgets arising from the need to pay competitive wages and salaries to recruit and retain civil servants.

Mr John Major, the former Chief Secretary to the Treasury, modified the aim of reducing expenditure as a percentage of GDP last November when he told the Commons' Treasury and Civil Service Committee that it did not have to be achieved in every year. Whether or not this was a case of Treasury prescience matters little; the pressures on spending are acute and come from several sources:

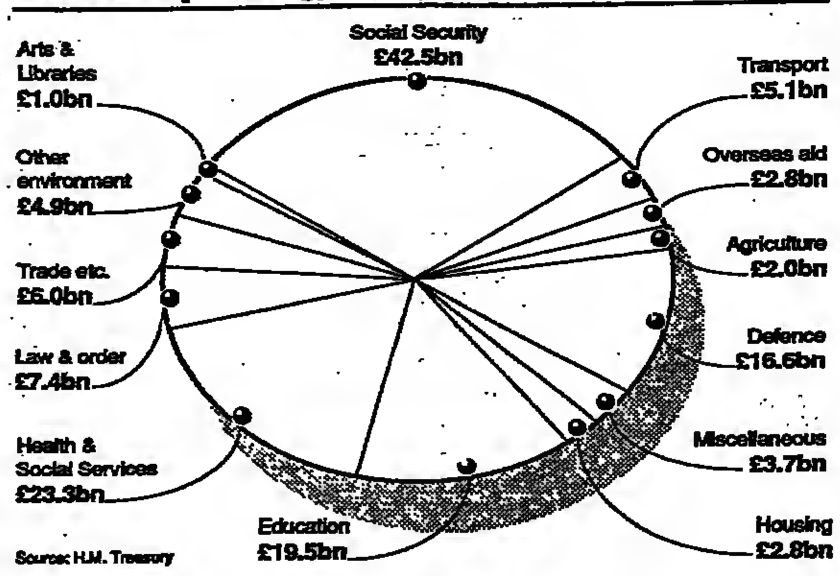
● The Government has run into difficulties in funding its planned £650m "safety net" to ease the introduction of the community charge, or poll tax, in England and Wales from April next year. The Department of the Environment's initial formula, which was meant to be neutral in terms of public spending, required those local authorities which benefit from the poll tax most (rural and mostly Conservative) to pay into a pool funds from which those that benefit least (mainly Labour-controlled authorities in inner London and the north) could draw.

A Tory backbench revolt in July has all but ruled out this way of financing the safety net. Senior Tory backbenchers, such as Sir Rhodes Boyson, fear the electoral consequences if the full benefits of the community charge do not flow to the low-spending local authorities, especially those in marginal Tory seats, right from the start. It is a concern bolstered by opinion polls which suggest that, in the 50 most marginal Tory constituencies in England and Wales, opposition to the poll tax has risen significantly.

The Treasury has adopted a hard line. "Why not inflict the pain straight off?" asked one Treasury official. "That is precisely the point of the tax: to make local authorities which spend more finance it locally."

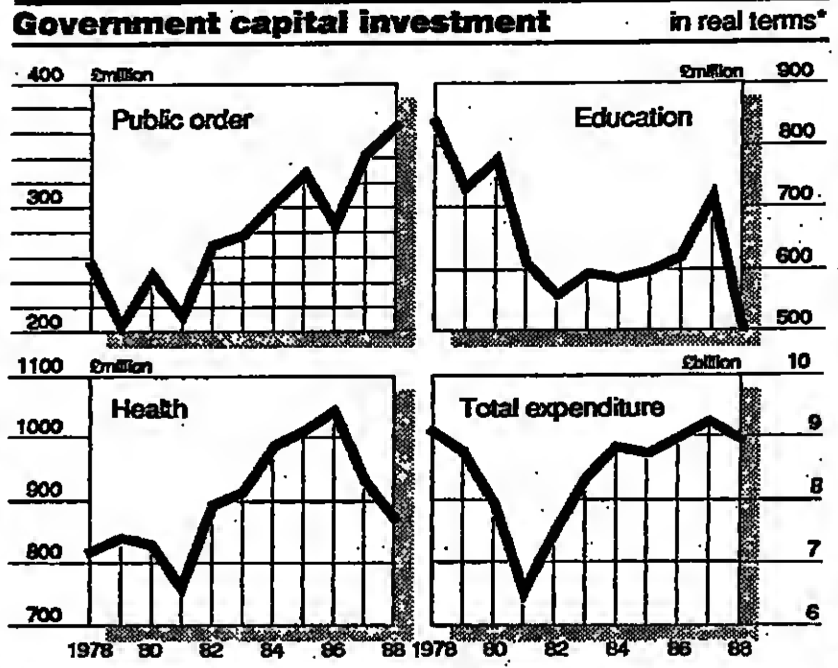
The logic may be impeccable but the politics appear flawed. Mr Kenneth Baker, chairman of the Conservative Party, has intervened and said the decision on the safety net would be determined "collectively," that is, out of the normal Treasury-Environment Department bilateral negotiations on spending. Last Thursday the Cabinet discussed the issne and appears to havs agreed a method of financing the safety net which meets the Tory opposition part of the way, implying that the Treasury will underwrite at least part of the safety net.

Planned spending, 1989-90 1985/6 prices



Source: H.M. Treasury

Government capital investment in real terms*



*Gross domestic fixed capital formation deflated by implicit gross fixed capital formation deflator for government (1985 prices)

Source: CSO

● In health, the Government is also having to come to terms with the short-term spending consequences of decisions it has taken to reform the National Health Service. The closure of hospital wards, which was the political crisis of last year, helped Mr Kenneth Clarke, the Health Secretary, win an extra £1.3bn.

This time he is arguing that the long-term success of his reforms — which envisage an internal market for health services, the ability of hospitals to opt out of direct control by district health authorities, and an enhanced role for general practitioners — depend on more money for this year and next. For 1990-91 and 1991-92 he is seeking about £1.5bn to £2bn to ease the passage of the reforms.

Widespread public support for the National Health Service, of which ministers are acutely aware, backs the need for more money. A survey* from the Henley Centre for Forecasting shows that more than 90 per cent of its sample of the UK population supports spending more money on the NHS, up from about 65 per cent in 1985.

● In education the story is similar. The reforms put through by Mr Baker, and inherited by Mr John MacGregor, the new Education Secretary, mean that costs associated with giving more autonomy to schools, opting ont of local authority control and training are set to rise significantly. Edncation spending has benefited from a downturn in the numbers of secondary students passing through the school system; this trend has already begun to stabilise and will be reversed by the early 1990s.

Within the Department of Education and Science there is a general feeling that if the schools' reforms are to work the Government also needs to spend more money to improve school buildings. Its record on real capital spending in education is poor.

On a national accounts basis, capital expenditure by government on edncation (adjusted at 1985 prices) shows a steady decline in spending in real terms since 1978. In that year government invested £835m in education; by 1988 the figure had fallen to £500m.

● The Government's record on investment in transport is better. Despite a fall in real terms in 1988, estimates based on National Accounts data show spending has been on an npward trend since 1978 — when £1.3bn was committed to capital investment — and amounted to £1.7bn in 1988. Yet the scale of current and future needs is daunting.

In May, the Transport Secretary at ths time, Mr Paul Cbannon, announced a doubling of his department's roads programme in an attempt to cope with increasing congestion on Britain's roads. This envisages £12bn being spent over the next 10 years. Funding, however, was left unresolved; it will be up to Mr Cecil Parkinson, the new Transport Secretary, to sort this out with the Treasury.

He is also having to argue for more funds for the ailing inner-city transport systems, notably London's Underground network, where rolling stock is antiqnated, the stations filthy, and safety questionable.

● Pressure for higher public sector pay is also growing. Until now, the Government has been able to keep public expenditure declining as a percentage of GDP, partly because it has clamped down on public sector pay. But this can be taken only so far.

Demographic change means that between 1985 and the mid-1990s, 2m fewer 16-24 year-olds will come on the job market. Without a pay structure competitive with the private sector, the Government will find it difficult to recruit people. Signs of this are already seen in the health service and the armed forces.

The Treasury does not publish figures on public sector pay as a percentage of its public spending planning total or of general government expenditure. Data on a calendar year basis is set out in the national accounts. In 1988, wages and salaries amounted to £55.2bn of the £156.3bn spent by the Government that year (excluding debt interest).

The aggregate, however, understates the importance of pay in the labour-intensive sectors of the public sector. Wages and salaries account for about 70 per cent of the Education department's annual allocated expenditure.

The Government's plans for public sector pay tend to be the floor from which negotiations take place, rather than the ceiling on pay which the Government hopes they will be. Last year the Education Department allocated 5.1 per cent extra money for teachers pay: it settled for a rise of 6.3 per cent. Last month, Mr MacGregor announced a rise of 7.5 per cent in funds allocated for pay; the teachers have promised industrial action.

For Mrs Thatcher's Government, less public spending has always equalled more — more room for private sector initiative and more room for tax cuts. But pressure is mounting for a change in emphasis as ministers detect growing discontent with what the Government's critics claim is public squalor amid private affluence.

Far from giving the screw another turn, ministers are arguing that it should be loosened.

* *Planning For Social Change, 1989*

OBSERVER

Voting with the flag

■ A vote was held last weekend in East Berlin's working class district of Prenzlauer Berg on 40 years of East Germany, the first workers and peasants state in German history.

The number of East German and red party flags hung out by the residents East Berlin's most densely populated district told the story.

In Hufeland Strasse, with 15 apartment blocks and nearly 400 flats in each, many buildings freshly renovated, 12 flags were hung out in favour of what the party calls "our historic achievements."

The loyalty test in Marienburger Strasse was even more devastating — four flags hung limply from flagpoles installed under the last Kaiser. They had seen the Weimar flag; then came Adolf Hitler's "Thousand Year" Reich and scarcely a house was without its unbroken rows of swastikas, one elderly local resident recalled. Showing the flag was originally obligatory in East Germany, but the regime has given up trying to enforce it.

Prenzlauer Berg, with 180,000 inhabitants, was silent throughout the GDR's birthday celebration. Families stayed athome and shunned the official festivities a few miles away.

At the military parade in Frankfurter Allee, the party handed out paper East German flags as well as one with a peace dove. But waving the dove alone took on another meaning. A young girl and her friend stood behind the crowd lining the parade route and showed only the dove. "It's official," she noted with a sly smile, as the tanks rumbled past in the background.

Creative play

■ Football finances grow ever more complex. A programme note for the game between Fisher Athletic (now managed by the once famous Malcolm Allison) and Boston United in the GM Vauxhall Conference has a story about a player who appears to be practically owned by Touche Ross, the accountants.

The player is Paul Sanderson. He was the striker for Newport County, a club which went bankrupt and was relegated from the fourth division to the Vauxhall Conference last season. Sanderson was regarded as one of Newport's few remaining assets, so he was picked up by Touche Ross, the firm brought in to help clear up the mess.

Touche Ross "loaned" him to Wycombe Wanderers, but this spell is now over and Sanderson is back with the accountants. Touche Ross is a very versatile concern, but it is unclear what happens next.

Barrack room

■ Denis Healey's memoirs, to be published shortly, have a tale about an army recruit who refused to give up a pair of ill-fitting boots for something more comfortable. "You know the barracks," he said. "There isn't a girl within five miles. There isn't a pub within 10. So taking these bloody boots off is the only pleasure I get in life."

Fixed links

■ "Britain and France are the most civilised countries in the world. London and Paris are the world's capitals, with populations of six and three million, respectively . . .

"One can imagine how great is the commercial intercourse between these two capitals, what masses of goods and of

"My mortgage doesn't understand me."

people are constantly moving from the one to the other.

"And yet the richest, the most civilised and the freest countries in the world are now discussing, in fear and trepidation — by no means for the first time! — the 'difficult' question of whether a tunnel can be built under the English Channel . . .

"Engineers have long been of the opinion that it can. The capitalists of Britain and France have mountains of money. Profit from capital invested in such an enterprise would be absolutely certain."

What then, the writer went on to ask, is holding the matter np? He answered: "Britain is afraid of — invasion! . . . A tunnel, you see, would, 'if anything should happen,' facilitate the invasion of Britain by enemy troops . . .

"Capitalism has brought about a situation in which the bourgeoisie, in order to hoodwink the workers, is *compelled* to frighten the British people with idiotic tales about 'invasion'. Capitalism has brought about a situation in which a whole group of capitalists who stand to lose 'good business' through the digging of the tunnel are doing their utmost to wreck this plan and hold up technical progress . . .

"But," the writer concluded, "what is young is growing and will emerge supreme in spite of it all."

Britain's financial institutions might like to note that the writer was V I Lenin in a letter to Pravda, published on September 17, 1913.

White Christmas

■ Nature's weather signs should soon send the odds against a white Christmas tumbling this year, according to Bill Foggitt, the Thirsk weatherman who is forecasting an early winter.

Last week Foggitt recorded his first ground frost of the autumn, earlier than usual. The winter flower jasmine is out ahead of schedule and the the swallows started their migration a week early. As they departed, the field fares and red wings arrived.

"All the signs are that we are in for an early winter, though it need not necessarily be a hard winter," he said. "I think a white Christmas could be likely," he added. The last time it snowed on Christmas Day in Thirsk was in 1970.

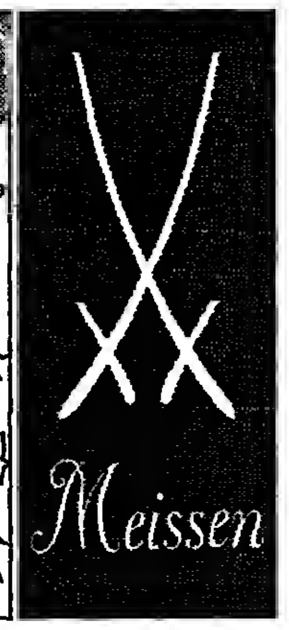
The quarter of an inch of rain in Thirsk at the weekend has not ended one of the driest autumns on record. Conclusive proof that the frogs in his neighbour's garden were right to lay their eggs in the centre of the pond has been provided by drought. The pond has dried up completely.

Modest

■ "I know you have a passion for goldfish," the psychiatrist said to his middle-aged patient, "but why do you keep them in the bath? What happens when you want to take a bath yourself?" "I blindfold them," she blushed.

David Marsh reports on the way Germany's division affects a 280 year-old tradition

Between East and West



The road to the 1,000 year-old city of Meissen on the Elbe, the historic home of European porcelain, is paved with contradictions. It snakes along a route of dishevelled Saxon villages nestling in the mists and the mud of the East German countryside. Entering Meissen, the car skids past geese meandering into the road. The blackened spires of the Gothic cathedral loom above the state-owned factories bearing signs exhorting workers to maintain peace "and prevent thermonuclear catastrophe."

Meissen suffers all too evidently from pollution and disrepair. But it is home to the most illustrious foreign exchange earner of the Communist German state.

The Meissen manufactory close to the city centre has been turning out expensive fine porcelain since 1710. Its origins in the Holy Roman Empire of the German Nation – the medieval collection of more than 300 feudal states – illustrate the continuity of German history across the post-war divide.

A statue of Johann Friedrich Böttger, the alchemist who invented European porcelain in 1708, stands opposite the front door of the Meissen works. Böttger started Meissen manufacture in the Elbe-side Albrechtsburg castle at the behest of August the Strong, the high-handedly ambitious Elector of Saxony.

Meissen artistic's proving out lovingly-cherished traditions make it one of the industrial showpieces of the forty-year history Communist state. Meissen's museum attracts 300,000 visitors a year. Of its 1,900 employees, no less than 800 are highly-skilled painters, practising their delicate craft in dusty high-ceilinged rooms crammed with potted plants, art manuals and picture postcards.

Meissen's products, however, nearly all end up in the homes of the wealthy in the capitalist West. In the Federal Republic, in which Meissen turns over around DM 40m (£15m) a year, roughly half its sales, its cheapest six-person coffee service retails at around DM 1,800 ($900). A better quality coffee set can cost up to DM 50,000, while the most princely 2,000-piece dinner service will set back the lucky buyer D Mlm.

By contrast, top Meissen painters earn 2,000 East Marks a month. Average wages at Meissen, where they work 43¾ hours a week, is about 1,100 East Marks a month. At the official exchange rate, this is equivalent to the same number of D-Marks, but it is worth less than DM 200 on the black market.

The tortuousness of links with the West came out into the open at the end of February. Meissen's managing director, Mr Reinhold Fichte, a highly-prized technocrat with close ties to the East Berlin Communist leadership, made headlines by fleeing to the Federal Republic – just one of the roughly 110,000 East Germans who have left their country so far this year.

Mr Fichte is now managing director of a small, family-owned porcelain works, Schumann, which competes with Meissen from Arzberg, 100 miles south-westwards across the fortified border in eastern Bavaria.

Dr Hannes Walter, the new Meissen managing director, who took over after Mr Fichte's departure, plays down the spring upheaval. He concedes that some ordinary Meissen workers have disappeared in this autumn's mass exodus, and says "each one who leaves is one too many" – but stresses the things which have not changed.

Speaking in measured tones in Meissen's wood-panelled display room, Mr Walter, 46, says that Meissen's strength lies in its unbroken range of individual items – its catalogue runs to more than 150,000 different pieces, based on designs going back to the 18th century – and in its painstaking training and apprenticeship programme. "Our marque is quality."

Meissen has always been a state concern. Mr Walter, a gimlet-eyed scientist born in Czechoslovakia, reckons that it has put more emphasis on profitability under Communist stewardship than during its connections with the feudal rulers of Saxony. He also says that artistic creativity has blossomed. Meissen, he claims, "is a child of the German Democratic Republic."

Mr Walter pays particular tribute to the Soviet general who kept Meissen going in the turbulent years of 1945 to 1949. It was briefly a Soviet joint stock company before being taken into "people's ownership" when East Germany was founded.

Mr Walter has been a member of the ruling East German Communist party since 1975. He admits the apparent paradox that a Socialist concern should produce such exclusive goods.

Meissen's renown, he says, rests on its ability to make "not something uniform," but objects "individually crafted for people who desire, in their private sphere, something more intimate."

It hardly sounds like an advertisement for socialism. But Mr Walter rejoins that Meissen's trading principles have always been internationalist. The works' founding statutes were written in French, Latin and Dutch as well as German.

"Trade has always been a significant feature of peaceful co-existence," Mr Walter affirms. Meissen's world-famous symbol, hand-painted crossed swords, has graced its porcelain since 1723. "Our swords are the most peaceful in the world," says Mr Martin, a shade triumphant at having squared the ideological circle.

Meissen's boss, a technocrat with close ties to the Communist leadership, fled to the West in February

Mr Fichte started work at Schumann in June after absconding during a trip to the Frankfurt industrial fair. He left his wife and two children in East Germany; one of the children has since joined him, while his wife is trying to come too.

Mr Fichte says he was distressed at the way the East German government tries to squeeze foreign exchange out of Meissen. He left partly because he was concerned about overloading the western market with Meissen products. He does not like the idea of Meissen products being sold, as they often are in the West, in department stores rather than only in specialised shops.

His new employer, Schumann, a company founded in 1881, is an "industrial concern" rather than a manufactory, Mr Fichte stresses. It has DM 20m turnover, of which 60 per cent is exported. He says both political and personal reasons drove him to the West: "I feel well here, I can develop myself fully."

A visit to Meissen's retailing outlet in the Saxon city's restored marketplace shows how ordinary East Germans see little of the company's produce. The shop is elegant and there is a picture of a young-looking Erich Honecker by the door. It stocks merely a range of relatively cheap modernistic products. Asked where Meissen's famed high priced porcelain figures (retailing in the West at DM 1,000 upwards) can be found, the shop assistant replies, "That is for export."

Mr Walter dismisses any idea of sacrificing quality. He points out that the company has order books full until 1990 and that delivery periods for specific items vary between two and five years. Because of its traditional methods of manufacture, as well as limits on space and personnel, turnover cannot grow at more than a maximum of around 5 per cent a year. "It is not easy to paint a flower pot much more quickly than it was done 200 years ago."

None the less, Meissen is underpinning its presence in the West with an advertising campaign – the first in its history – in the quality West German press. It started this autumn, costing DM 1.5 to DM 2m over a year.

Meissen's aim, long term, is to capture the younger market – starting from the 35 to 40 year olds. "At some time, an older generation of customers will die out. We have to alert the younger people," says Mr Jochen Rotauge, who handles Meissen's sales in the Federal Republic from the trading house of Bock, based in Konstanz, in southern West Germany. He disputes the charge that Meissen is going down-market: "It's still a seller's market."

Meissen's image in the West has remained curiously consistent in spite of four decades of Socialist ownership, says Mr Rotauge. "Porcelain lovers and Meissen lovers look at the products. There is a fascination which is hard to describe." By comparison with the three centuries of history behind East Germany's most celebrated marque, he adds emphatically that the last forty years are of absolutely no importance.

LOMBARD

Sterling reasons for base rate increase

By Samuel Brittan

OVERWHELMINGLY the most important reason for the British base rate increase was the pressure on sterling, which started after the publication of the August trade figures nearly a fortnight ago and which intensified when it became clear that West German interest rates were going to rise. Once the Bundesbank decided to go up by a full percentage point, the British Government had no option left.

If base rates had not risen, sterling would have dropped like a stone. Whatever brave declaration might have been made about leaving sterling to the market, the actual size of sterling's fall would have alarmed all but the most academic of free floaters. The end result would have been more like 18 per cent than 15 per cent basic rates in a vain attempt to stop the rot. Indeed, I am far from sure that 15 per cent will be the peak even now, unless British policy is based more explicitly on the sterling exchange rate than hitherto.

Internal as well as external reasons for tightening British monetary policy have been urged by some hawks among Treasury economists. Indeed, when base rates were last raised from 13 per cent to 14 per cent in May, I wrote that I would have preferred that they were going up from 14 per cent to 15 per cent instead. But this line of thought was opposed by the Bank of England which feared overkill.

An example of prevailing demand pressures is the fact that, despite the slowdown in retail sales, the total volume of consumer spending in the second quarter was over 5 per cent up on the year before. The CBI Quarterly Survey has shown a higher rate of capacity utilisation than during the peak of the Heath boom in 1973-74. Unemployment has been falling by 1½ per cent per annum from a level which is now down to 6 per cent of the workforce.

On the other side there have been several indicators of weakening demand. Car sales after a record August were, in September, 10 per cent down on a year ago. The CBI monthly service for September showed the first important evidence of drooping orders and official estimates now show a squeeze on corporate liquidity. But there are such things as inflationary recessions, which cannot be treated by monetary indulgence.

The decisive sign of inflationary danger to resolve these arguments comes from indicators of spending in cash terms. Nominal GDP in the second quarter was nearly 11 per cent up on the year before; and the estimate is liable to be revised upwards. The increase in the circulation of notes and coins, fancifully called M0, does not suggest much let-up in the third quarter. After allowing for the effects of last year's postal strike, M0 remained in September some 5½ per cent above the year before and well above the target band.

The slightest indication that the Government was prepared to let sterling go would have taken pay rises into double digits

The CBI likes to point out that producer price increases have remained for several years in the 4 per cent to 5 per cent bracket. But to reduce inflation to acceptable levels these increases would have to go down to nearly zero, both to offset the higher price rises normal for services and property, and to remain competitive with the main continental countries.

Yet very little has changed in the last few weeks, apart from a new bad trade figure and the associated weakening of sterling, to swing the argument one way or the other. The key issue is psychological rather than technical. Earnings increases have been uneasily poised at around 9 per cent per annum. The slightest indication that the Government was prepared to let sterling go would have added to the pressures from the headline inflation rates and the tight labour market to take pay rises into double digits. This would have taught something to economists who want to downgrade the role of wages in the inflationary process, but the lesson would have been too expensive for the rest of us.

Anyone in the City or Whitehall who thinks that anything will be achieved by switching attention from sterling's rate against the D-Mark to the trade-weighted average is deluding himself. Currencies formally or informally linked to the D-Mark now account for about 60 per cent of the index. The most important remaining component is the dollar.

The Group of Seven intervention has already taken the dollar as far as, or more likely below, where the market is willing to let it go (saving an improbably large easing of US monetary policy). The G7 will have its work cut out to prevent the dollar drifting back up to DM 2 and beyond.

The relevance for the UK is that sterling's performance against the basket is likely to be no better than its performance against the D-Mark. So that shifting the emphasis towards the basket would not be an easier option, even if more attractive for those politicians who do not like the European Community.

The problem is that the UK has had the pain of a link with the D-Mark without the full benefit. A fault has been, not shadowing the D-Mark, but failing to shadow it much earlier than the Chancellor tried to do, and doing so consistently. France, which has done so, has an interest rate differential above Germany of only two percentage points compared with the seven percentage points of Britain. If the UK had been shadowing the D-Mark since the mid-1980s, domestic policy would have been tightened much earlier, without any argument between the devotees of broad money and narrow money, and inflation would never have reached a level which appears to justify the present seven per cent differential.

LETTERS

Holism, the universities and the polytechnics

From Mr Peter Wood.

Sir, The welcome given in your editorial "Expanding the universities," (October 3) to the rising proportion of young people entering higher education over the next few decades will surely be endorsed by most of your readers. Yet your comment that universities would be wise to shift "output" towards "broadly-based undergraduate degrees" to underpin the the jobs market ignores a number of issues.

Why, for example, are most polytechnics now so neurotically anxious to be called "universities" if, as you suggest, "it matters little whether the institutions which receive the extra students are called universities or polytechnics"? Few doubt that the polytechnics perform an outstandingly successful role in serving "the interests of the majority" who enter the jobs market immediately after graduation. Why then do the polytechnics have a chip on their shoulder? Is it not because, despite their many achievements, these institutions have never been accorded the hollow public esteem conventionally accorded even second-rate universities?

You repeat the arguments for breadth in the sixth form and at undergraduate level, but your assumptions will stagger those of your readers fortunate enough to have received a good schooling and who went to good universities or polytechnics. Who ever assumed that education in such institutions was restricted to the curriculum or syllabus? Who ever assumed that the single subject degree course entailed "narrowness," regardless of course content, or was ever a norm? With respect, I suggest that your own conception of higher education exemplifies intellectual narrowness because you pay no attention to the complete lives of the students in question. You do not seem to be prepared to attribute to them any lively curiousity or any capacity to search and enquire and look and read and imagine.

To postpone specialisation – some would call it the postponement of intellectual and imaginative intensity – will result in a situation in which the standards of the first degree approach those now achieved in our better sixth forms. Under this regime, the doctorate may come to represent, as it so often has in Germany, dogged persistence, dead academicism and a lack of originality reflected in so many boring theses.

Your arguments will also do nothing to persuade those talented entrepreneurs who wisely left school as soon as possible that an education imposed on them from above would ever have been dynamic enough to be useful.

Peter Wood,
Newbold Farm,
Duntisbourne Abbots,
Cirencester, Glos.

EC Council, EC Commission

From The Lord Bruce of Donington.

Sir, I note in the FT's edition of October 5 that "the EC Commission yesterday opted for confrontation in the increasingly tense battle with the EC governments over how to levy indirect taxes in a frontier-free Community."

What impertinence! Especially from a non-elected body of civil servants whose individual and collective intellect and competence are by no means exceptional, and may, indeed, not even measure up to the abundant abilities of high-level government officials and ministers of the various member countries. The function of the EEC Commission, under the Treaty of Rome, is to make proposals to the Council of Ministers. Indeed, the Council of Ministers cannot, excluding their competence to amend the Treaty, act save on a proposal from the Commission.

The Treaty gives no right to the Commission to *challenge* the Council. The quicker the Commission realises this, and acts upon it, the better for all concerned.

Bruce of Donington,
House of Lords,
Westminster

Footwear in Europe

From Mr W.N.S. Calvert.

Sir, Alice Rawsthorn's article ("Putting in the boot," October 4) on the plight of the European footwear industry omits a key part of the industry's case: the existence of near universal quotas or prohibitive tariffs protecting footwear markets everywhere but in western Europe and the US. This imbalance unfairly enhances the natural advantages that low-cost countries already have in labour-intensive industries such as footwear. The industry would happily switch its case for quotas if it could be assured of reasonable equality in trade terms around the world. Can Brussels deliver?

It was disappointing to read that footwear is "rather low down the list of the Commission's priorities." Footwear provides over 500,000 jobs, many of them in poorer parts of the EC, and the industry is making an important contribution to the European economy – one which should be recognised by the Commission.

Investment is needed to help the industry compete against low-cost suppliers. Manufacturers are aiming to provide a much quicker response to the needs of retailers in a way that distant suppliers find it difficult to match. This often does not need investment on a massive scale; but the industry does need a respite so that companies can carry through the necessary re-organisation.

W.N.S. Calvert,
British Footwear Manufacturers Federation,
Royalty House,
72 Dean Street, W1

The problem with free banking

From Mr Peter Spencer.

Sir, Kevin Dowd suggests (Letters, October 4) that "free banking is not some crack-pot scheme put forward by a few cranks." But by neglecting obvious real world issues, he gives a rather different impression.

His basic problem is that this theory was originally developed to handle competition in the supply of bank notes, which are a very small proportion of the money supply in a modern economy. It cannot realistically be applied to bank deposits which can yield interest in a competitive system. Once this is accepted, there is no presumption that the bank money offering the lowest rate of inflation will displace other bank monies, since banks can offer an interest rate to compensate for inflation.

In this situation, the bank offering the highest real (or inflation-adjusted) interest rate on its deposits will tend to dominate. It is possible that the public could express a preference for zero or negative inflation and thus resolve this indeterminacy, but that would be a very weak assumption upon which to base the future of Europe's money.

Mr Dowd's analysis of the current situation is similarly unrealistic. There is no evidence to suggest that people holding money tend to shift away from currencies that inflate excessively (but compensate for this through interest payments) towards those that have more stable values. Nor is there any *a priori* reason to expect this sort of currency substitution: why should I hold low-inflation but zero-interest Deutsche mark deposits when I can hold a sterling account offering a market rate of interest well above the associated inflation rate?

The new Zealand Labour Government, no slouch when it comes to the rigorous application of free market principles, was initially attracted to the idea of free banking, but eventually concluded that it was unworkable. The reserve bank survived unscathed, as will the concept of central banking in Europe.

Peter Spencer,
Shearson Lehman Hutton,
One Broadgate, EC2

A chorus for every purpose

From Mr R.A. Hopkinson-Woolley.

Sir, Observer (October 5) perhaps does not know that the music of the chorus of the Hebrew slaves from Verdi's Nabucco is now closely associated with the Order of St Lazarus of Jerusalem, whose members and work of service are fully international. What music, then, could be more appropriate to BA?

R.A. Hopkinson-Woolley,
Ashford School,
East Hill Road,
Ashford,
Kent

FINANCIAL TIMES
Monday October 9 1989

Janet Bush on Wall Street

SEC puts a disputed option

MR Richard Breeden will soon find himself plunged into controversy when he takes over as chairman of the US Securities and Exchange Commission.

The issue is the SEC's proposed rule change, announced in May, which would allow multiple listing of stock option contracts. The protagonists include five of the nation's stock exchanges and Congress.

It became clear at last Thursday's hearings before the House Telecommunications and Finance sub-committee that the overwhelming view of Congressmen is that there are serious enough concerns to delay implementation of multiple listing.

The SEC's new rule calls for a phased-in shift from the current system of allocating options to exchanges through a lottery system. From January 22 1990, for a year, all new options would be allowed to be multiply traded (on several exchanges) and each exchange would be allowed to choose a list of 10 options from those already traded. From January 21 1991, all options would be tradeable on any options exchange.

The SEC believes that multiple trading of options would reduce costs to investors by about $25m and that the system of allocating options to specific exchanges costs investors around $150m, an expense traced to lack of competition.

The five exchanges affected by this proposal are the Chicago Board Options Exchange, which accounts for around 43 per cent of stock options traded annually, the American Stock Exchange, which has around 28 per cent of the business, Philadelphia with around 13 per cent, the Pacific exchange with 11 per cent and the New York Stock Exchange with 2 per cent.

Any move to promote competition in a sector of the securities business, particularly one which includes some mini-monopolies, is bound to provoke fierce disagreement.

The CBOE, from its dominant position, lambasted the concept from the outset, arguing that multiple listing would fragment the market, confuse investors and cost millions of dollars to implement. First it argued that a proper integrated trading system would be needed. Its position now is that no system is needed.

It is probably not too cynical to suggest that its initial support for building a system was mostly to put an obstacle in the way of multiple listing. Now that multiple listing has basically been accepted, the CBOE may have more success in holding on to its current market share if there is no integrated system to channel orders to other exchanges.

Last Thursday, the CBOE asked for a 'grandfather' clause which would exempt all existing options from multiple listing, an obvious attempt to preserve its dominant position.

The position of the Amex, the second largest player, is that building a system should not be a prerequisite of multiple listing. There is a belief that the Amex would stand to gain most from multiple listing, perhaps even more so without an integrated trading system, because of its geographic location in New York. With multiple listing, many large Wall Street brokers may opt to shift trading from Chicago closer to home.

The debate now is whether implementation should be delayed to give time to build a trading system which would link the exchanges and ensure that order flow was channelled effectively to the best markets.

The Philadelphia, Pacific and New York exchanges – all of which hope to attract business away from the CBOE and the Amex – together commissioned an independent feasibility study on building a system. The report by the Tellefsen Consulting Group concludes that a system could be built in a year, for between $3.3m and $6.3m.

Mr Nicholas Giordano, president of the Philadelphia Stock Exchange, last Thursday offered to put up 20 per cent of the money needed on two conditions: that implementation of multiple listing is delayed for a year and that each exchange is mandated to use the system.

The question is how the new SEC chairman will respond. Mr Breeden has already said that he will look at the question and the SEC will testify before the sub-committee later this month.

While the SEC is impatient with opposition from the exchanges and is keen to implement the new system, Mr Breeden may be loath, so early in his tenure, to go ahead on the schedule in the face of opposition from this key sub-committee.

CRUCIAL ELECTION OF PRESIDENT EXPECTED TODAY

Hungarian factions vie for control

By Judy Dempsey and John Lloyd in Budapest

THE COMPROMISE reached between the radical reformers and conservatives in forming a new Hungarian Socialist Party (HSP), which will replace the ruling Communist party, hung in the balance last night, as the various factions battled to control the new leadership.

On Saturday night, the congress voted overwhelmingly to form a new Hungarian Socialist Party which would be the legal continuity of the Communist party, but not its political continuity.

The HSP's draft programme said it would "tear itself away from the party bureaucratic system and democratic centralism" and would commit itself to the principles of a society based on human rights, freedom and a market economy. The radical reformers, fighting to exclude from the HSP conservatives including Mr Janos Berecz and Mr Gyorgy Fejti, two former hardline communist party ideologists, yesterday proposed their own candidates for the HSP presidency and leadership.

The president would be Mr Rezso Nyers, while his deputies would be Mr Miklos Nemeth, the Prime Minister, and Mr Gyula Horn, the Foreign Minister.

The list also contains 15 other names, including some of the most radical reformers belonging to the Budapest Communist party organisation, which has spearheaded the reform platform at this historic Communist Party congress.

But the fact that so many conservatives, fighting for their political survival and sensing how the wind was blowing, moved over to the HSP, has sent shock waves through the radical reformers, who now fear the HSP will be dominated by Communist time-servers.

Because of the hasty compromise which was patched up on Saturday night between the People's Democratic platform and the Youth platform, which contain a majority of conservatives, the reform faction now feels it has not got enough support from the congress to control the new leadership in the HSP.

The crucial player in influencing the composition of the new HSP leadership will be the president, who is expected to be elected today by the congress. Because of the election rules agreed last Friday, the president, without consultation to congress, will be free to select his own Party leadership from the lists drawn up by the factions.

If the president chooses a "compromise" leadership, several of the radical reformers said they would consider forming a new party.

The emerging consensus is that Mr Nyers should be the President of the HSP. Although he has openly committed himself to the new party, he still yearns for a compromise between the radical reformers and the conservatives. That would mean permitting, among others, tough communist apparachiks, such as Mr Berecz and Mr Fejti into the ranks of the fledgling party. "We would then be simply a new party wearing old clothes," a radical reformer commented.

Yesterday, Mr Csaba Vass, one of the leading radical reformers, said the HSP should not be a home for young and old Stalinists, a reference to the sections of the People's Democratic platform and the Youth factions.

"We do not want to be together with the conservatives and Stalinists," he said. "Now, the compromise we reached on Saturday night, is very fragile. The political agreement could break down."

To "purify" the new party of Stalinists, the radical reformers are proposing to the Congress that a special "ethics committee" be set up.

Already a list, containing over 1,500 names of those who have committed political and legal crimes, will be screened. They will not be prevented from joining the party as such, but their crimes will be made public.

Radicals bargain hard, Page 3; Editorial comment, Page 18

UK Government asked to step up spending on conference eve

By Philip Stephens, Political Editor, in London

THE UK Government is facing growing pressure to bow to demands for increased public spending as the Conservative Party Conference opens in Blackpool tomorrow in the shadow of a further widening in the opposition *Labour Party's* strong lead in the opinion polls.

An unusually large 10,000-sample opinion poll published today by the domestic Press Association news agency shows Labour with an 8 point lead over the Conservatives, enough to give it a comfortable parliamentary majority in a general election.

It follows other weekend surveys putting Labour's lead at up to 11 points and pointing to a slump in popular support for Mrs Margaret Thatcher, the Prime Minister.

The polls were taken before the successful conclusion on Friday of Labour's annual conference and before the latest rise in base interest rates to 15 per cent, raising fears among Conservative MPs thet support could slump further.

They also came against the background of calls from a number of MPs for Mrs Thatcher to slow the pace of the Government's programme and to pay closer attention to the mood of her supporters in making big policy decisions.

Mr Kenneth Baker, the party chairman, acknowledged yesterday that the rise in interest rates to their highest level since 1981 would mean that it would take "some time" for the Government to reverse its present unpopularity.

Emphasising that the Government would adopt a "team" approach to presenting its policies, Mr Baker said on BBC Television that he expected a "growing amount of cabinet discussion" on big policy issues.

Other ministers predicted that the Treasury would have to respond to the rising unease within Conservative ranks by relaxing its grip on the departmental spending budgets being set for 1989.

Mr Norman Lamont, the Chief Secretary to the Treasury, is thought to have conceded substantial extra funds to ease the introduction next year of the poll tax, or community charge. His deal with Mr Christopher Patten, the Environment Secretary, follows a revolt among Conservative MPs and should be announced during the conference.

However, Sir Rhodes Boyson, one of the leading rebels, warned that the Treasury would have to provide the full £650m in additional funds that they were seeking if the issue was to be defused.

Mr Lamont will spend this week locked in negotiations with departmental ministers in the hope of securing a deal on the overall level of spending for the 1990-91 financial year beginning next April.

The Chief Secretary will insist that the latest rise in interest rates had to be reinforced by tight control of public spending if the Government was to avoid the risk of another run on sterling.

Government officials, however, were suggesting that the political pressures for more money to be spent on health, on transport, on the environment, and on education suggested it was unlikely that the Treasury could stick to its original cash target.

The Press Association poll, carried out by ICM Research, put Labour's share of the vote at 45 per cent and the Conservatives at 37 per cent. The Green Party is put at 8 per cent and the Social and Liberal Democrat party at 4 per cent.

Patten reprieves nature reserves, Page 9; Fight for the public purse, Page 18

London SE settlement system may face delay

By Richard Waters in London

DEVELOPMENT work on the planned settlement system for the London stock market is in danger of becoming stalled over 11th-hour technical debate about the system chosen.

Without the system, known as Taurus, observers fear that the City of London will lose business to other European centres where settlement is handled more efficiently.

Mr Patrick Mitford-Slade, chairman of the committee responsible for developing Taurus, in the clearest sign yet that profound disagreements still exist about the system, said last week that an alternative system was under review.

This is despite the fact that in March widespread agreement appeared to have been reached on the way forward. This was after years of development and a review launched nearly a year ago.

Mr Mitford-Slade said the alternative was only a "fall back position." He was confident there was already enough support for the current plan to proceed. The review had been prompted by tha donbts of some members of Siscot that the planned system will work, said Mr Mitford-Slade.

Observers fear the debate may threaten Taurus's development. "To go back and have another review at this stage is very damaging for the UK's credibility," said Mr Hugh Osmond, business development manager for Taurus at Quotient, a leading financial systems house.

The alternative under review – known as Taurus 7 – would benefit private client stockbrokers, which have complained that the planned system – Taurus 3 – would lead to increased costs for individual shareholders. Whichever system is eventually chosen, individual shareholders will not be served by a paperless system until well into the 1990s.

Taurus is due to be phased in over time. Its introduction for private clients, which presents the most severe problems, is likely to be delayed until after the settlement of institutional bargains has been automated.

This still depends on agreement over a number of cootroversial issues, such as tha access that listed companies will have to details about their shareholders. Although this will be the subject of wider consultation later this month, Exchange officials are confident that this can be resolved.

However, the institutional system will not be developed until agreement has been reached that it is suitable for private-client bargains as well.

Taurus background, Page 9

BT may bid for Mexican stake

By Richard Johns in Mexico City

BRITISH TELECOM is understood to be among big international telecommunications companies considering buying a substantial minority stake in Telefonos de Mexico, which is under majority state control but scheduled for privatisation.

Telefonica of Spain and Bell South of the US are also said to be interested in buying a part of the Mexican government's stake in Telmex – amounting to 56.2 per cent of the company.

BT stressed in London yesterday that "there is not any deal" and that consideration of the issue was at preliminary stages.

A decision by British Telecom's board would probably depend on a report being drawn up by Mr John Baker, the company's regional marketing manager for Latin America.

Guide lines for disinvestiture of Telmex are being drawn up by the Ministry of Communications and Transport and are expected to be announced by the end of the month. Over the weekend Mr Andres Caso Lombardo, the minister, said that the government had received many offers from all over the world.

"We still can't give anybody an answer because we have not finished preparing the sale agreement to make the sale," he said.

The aim of the Mexican Government is understood to be to reduce its shareholding to about 25 per cent. It wants to sell a part of its stake in Telmex directly to a big international telecommunications company which can provide modern technology to the highly profitable but inadequate and antiquated network.

Analysts in Mexico say that a stake in Telmex would give a foreign company a share in a rapidly growing market.

President Carlos Salinas de Gortari, bowever, is very well disposed to a bid by BT, according to one of his senior advleers, having been impressed by a presentation made by the company of its privatisation experience.

Latvian call for full independence

Continued from Page 1

counterparts in neighbouring Estonia and Lithuania, where the indigenous population is still in a clear majority. However, the Front represents a broad political spectrum, from the radical Latvian National Independence Movement to the reformist wing of the Communist Party – all united by their dedication to saving the Latvian nation from extinction.

Delegates to the congress were given a grim picture of the economic problems which could result from outright confrontation with Moscow.

Mr Arnis Kalnins, an academic and leader of the Front's economic committee, said that a plan for "the existence of Latvia in extrema economic circumstances" had been drawn np, but it concluded that the republic "could lose its economic roots along with all other of the Soviet Union's regional enterprises".

He said that formal models of the consequances of independence for Latvia had yet to be drawn up, but economists were collecting all the relevant data on import dependence and raw material supplies at factories in the republic.

The most obvious problem would be the loss of all the republic'e supplies of oil, gas and coal, he said, which all came from within the Soviet Union.

Mr Kalnins also warned that loans from the West could not be relied upon because Western governments would not want to disrupt their improving relations with Moscow.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	R	17	63	Dubrovnik	R	15	59	Malta	F	21	72	Rhodes	F	21	70
Algiers	F	23	73	Edinburgh	F	14	57	Manchester	S	12	54	Rio de J'o	C	27	81
Amsterdam	C	16	59	Faro	S	29	84	Manila	-	—	—	Rome	F	16	61
Athens	R	21	70	Florence	C	17	63	Melbourne	F	14	57	Salzburg	C	09	48
Bahrain	F	36	97	Frankfurt	R	19	66	Mexico City	F	24	75	San Francisco	F	24	72
Bangkok	F	34	93	Funchal	F	24	75	Miami	R	30	86	Seoul	F	18	64
Barcelona	S	23	73	Geneva	R	15	59	Milan	R	11	52	Singapore	R	30	86
Beirut	F	26	79	Gibraltar	S	28	82	Montreal	C	11	52	Stockholm	C	10	50
Belfast	R	13	55	Glasgow	F	15	59	Moscow	C	03	37	Strasbourg	C	10	50
Belgrade	R	16	61	Guernsey	S	14	57	Munich	R	07	45	Sydney	F	25	77
Berlin	C	17	63	Helsinki	C	07	45	Nairobi	C	22	72	Taipei	C	25	77
Biarritz	C	16	61	H. Kong	C	27	81	Naples	F	22	72	Tangier	F	26	79
Bombay	S	34	93	Innsbruck	R	09	45	Nassau	-	—	—	Tel Aviv	F	25	77
Bordeaux	C	17	63	Inverness	F	15	59	New Delhi	F	35	95	Tenerife	S	29	84
Brussels	F	13	55	Islamabad	F	33	91	New York	F	14	57	Tokyo	C	18	64
Budapest	R	11	52	Istanbul	F	22	72	Nice	C	19	66	Toronto	C	12	54
B. Aires	C	23	73	Jakarta	C	32	90	Nicosia	C	20	68	Tunis	C	23	73
Cairo	F	28	82	Jersey	F	15	59	Oporto	S	26	79	Valencia	S	22	72
Cape Town	R	11	52	Jo'burg	F	23	73	Oslo	F	09	48	Venice	S	17	63
Caracas	C	26	79	Lima	C	20	68	Paris	R	16	61	Vienna	F	11	52
Casablanca	S	26	79	Lisbon	F	20	68	Peking	F	19	66	Warsaw	C	10	50
Chicago	C	13	55	London	C	15	59	Prague	C	08	46	Washington	F	07	45
Cologne	C	11	52	Los Angeles	F	29	84	Reykjavik	C	06	43	Zurich	C	08	46
Copenhagen	C	11	52	Luxembourg	C	09	48								
Corfu	R	20	68	Madrid	F	27	81								
Dallas	-	—	—	Majorca	F	22	72								
Dublin	C	15	59	Malaga	S	31	88								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

US budget deficit cuts

Continued from Page 1

vote on the issue.

The complication is partly procedural. If the capital gains issue remains attached to the deficit reduction bill, the Republicans would have to win 60 votes out of 100 in the Senate to win. This means attracting at least 16 Democrats. But if a capital gains cut is attached to any other measure, only a simple majority of 51 votes would be needed. This is much more likely since up to a dozen Democrats favour a permanent reduction in the tax.

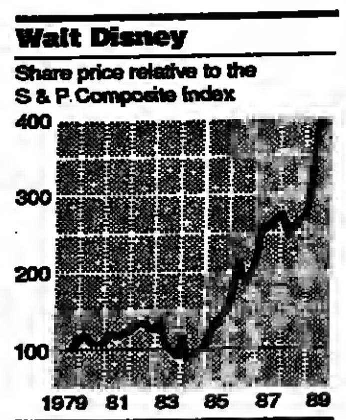
However, the Democratic leadership, which opposes a capital gains tax cut at present, is reluctant to concede this key procedural point and they have the votes to filibuster debate and block a vote on any later capital gains bill. As a further complication, this may become tied in with legislation needed later this month to raise the ceiling on what the Federal Government can borrow.

Automatic spending cuts under the sequestration procedure cannot be reversed without special legislation.

THE LEX COLUMN

Disney casts its spell on Europe

Walt Disney, along with Coca-Cola, is one of America's few real international success stories. Its products have stood the test of time better than most and entertainment is one area where the US has a natural competitive advantage over the Japanese. So it is not overly surprising that there is some enchanting talk around about the premium Euro Disneyland shares will command when they start trading, especially since the Japanese – Disney's biggest fans – are barred from the initial offering.



The size of the catchment area, the longer European holidays and the project's generous Government incentives mean that Euro Disneyland should make money from year one, even though this involves attracting as many visitors as the combined attendance at the Tivoli Gardens, Alton Towers and the Universal Studios Tour. The construction risks are minor compared with Eurotunnel's, and while the project's viability is highly sensitive to the number of visitors and average spend, Disney is a conservative company.

However, the fact that Anheuser-Busch was recently able to buy a bunch of rival US theme parks for a third less than the asking price is a reminder of the fickleness of this industry. The Disney magic may be more powerful than ever, but an expected rate of return of 13 per cent on Euro Disneyland is no better than the average equity, and the expected dividend stream is overshadowed by the huge royalties and managment fees paid to the parent. Given the absence of Euro Disney perks, Walt Disney shares are a better long-term bet. The parent has more growth potential, a lower risk profile and at least it can be taken over.

Soft commissions

The practice of a broker paying for a fund manager's Reuters terminal or suchlike in return for a guaranteed multiple of commission is one of the City's cosiest customs. It is good news for the securities houses, since it brings them a stable source of commission income; also for fund managers, who can pass on some of their basic costs to the client. The critics say that the custom is an abuse at the client's expense: not only is it likely to promote churning of portfolios, it is also prone to flagrant abuse in the form of personal gifts.

The line between soft commission broking and the service provided by an integrated house is difficult to draw. A fund manager cannot for long expect to benefit from an integrated house's research without putting some business its way. Which is the soft and which is the hard element of commission in such an arrangement must be hard to distinguish. Soft commission arrangements can mean that managers pay for exactly what they want: they lead to the unbundling of financial services and allow, for example, independent research teams to flourish.

The SIB, in its report later this month, is unlikely to ban the practice: too many brokers depend on it. However, to the extent that soft commissions can be justified, the very minimum position is that they should be fully revealed to the clients and the services covered strictly defined. That might create its own problems – how should a manager, on a fair basis, allocate costs between the various funds? But it is the only legitimate defence of a practice which smacks rather too obviously of the old boys' network.

Amstrad

It is a grim illustration of how bad things are at Amstrad that last week's further slump in the share price was independent of the rise in base rates, and indeed unaffected by it. The immediate cause was rumour of problems in Spain – 17 per cent of sales last year – seemingly confirmed by the resignation of the head of the Spanish operation on Friday. Add the effect on sentiment of Hinari's collapse last Wednesday, and the net fall of 6p in the week to 64p – last year's peak was 234p – is easily explained.

The market now expects the full year figures, due tomorrow week, to show profits almost halved from last year's £160m. That would put the shares on a multiple of six or so, which might seem appropriate for a company which has to come up with a new product almost annually to keep moving forward. But the further problem about Amstrad is lack of information, in the absence of which the market has come to assume that next year's profits will be heavily down again.

Valuation on an asset basis poses problems of its own. Last year's balance sheet showed net assets of £256m – or 46p per share – consisting almost wholly of £117m in net cash and £122m in stocks. The shift to wholly owned distribution could well mean that all the cash and more has gone into extra stocks, which may not be realisable at book values. On a worst case, the asset value per share could be half the current price; and while the Amstrad brand name will certainly be worth something, the past year's mishaps with personal computers have taken toll of the brand's reputation. The shares must eventually reach their bedrock value, but it would be a bold analyst who strode forth and called the turn.

Index funds

The launch of a fund which guarantees to produce 105 per cent of the FT-SE 100 Index's rise over five years, plus the return of 95 per cent of the original capital, indicates how the options market has come of age. It can now be used for more sophisticated purposes than a hopeful punt or a careful hedge. The trick, which has been pulled off on a more limited basis before, is to invest the bulk of the principal in fixed interest securities (to ensure the capital payback) and then spend the remainder on over-the-counter option premiums. The cost of premiums creates the level of index gearing: one fund, for example, assures 100 per cent capital return, plus 135 per cent of the Nikkei-Dow's rise.

The investor is of course losing the opportunity to earn interest (but that is implicit in buying equities); however, the return on equities over five years is nearly always better than on any competing asset class and few managers could guarantee to beat the index. There are drawbacks: the investor is not entitled to the equity yield and there are penalties for early payment. But although such a derivative market will inevitably be limited in size, these funds might prove a sensible route into equities for small investors and even small pension funds.

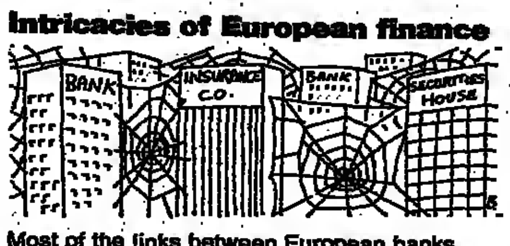
FINANCIAL TIMES
COMPANIES & MARKETS
Monday October 9 1989

INSIDE

Senate prescribes tough medicine

Thanks to a bill that one prominent senator calls "tough medicine for a tough time", tighter regulation of the US futures markets is now certain. Peter Riddell reports on Senate proposals that are tougher than new rules already approved by the House of Representatives. Page 26

Intricacies of European finance



Most of the links between European banks, insurance companies and securities houses mean little in isolation. But pulled together they produce an impressive-looking web of links. Just how extensive this web has become is illustrated in a new report by Shearson Lehman Hutton. Shearson thinks it amounts to something significant, but David Lascelles, in the Business Column, suggests that it may be reading too much into its findings. Page 40

Questions over New Zealand

The collapse last week of DFC New Zealand, the former state-owned development bank, has caused ripples in international capital markets and cast further doubt on the security of investing in New Zealand. Rachel Johnson and Terry Hall examine the latest in the series of financial disasters that has hit the country since the reforming Labour government began a rapid deregulation of the economy in 1984. Page 26

Treat of a deal

Amersham International's purchase of US-based Medi-Physics from Hoffman-La Roche, the Swiss pharmaceuticals group, has, in the words of chief executive Stuart Burgess (left), "worked out a treat". Certainly the deal looks good for the company privatised in 1984. It gives Amersham its long-sought US manufacturing base for radio-active agents, doubles its market share and avoids the need to invest up to $10m in a new cyclotron, or "atom smasher". Page 28

Market Statistics

Companies in this section

Caution takes hold in the LBO market

David Lascelles on how UK banks may be changing their attitude towards leveraged finance

There was no mistaking the nervousness in London's financial markets at the end of last week about the impact of higher corporate lending rates on leveraged buy-outs.

The combination of the rise in base rates that had already taken place before Thursday's increase to 15 per cent and decisions by consumers to cut back their discretionary spending, have already produced a number of high-profile corporate casualties, Lowndes Queensway, MFI and Magnet being the most prominent. Now there are fears not only that the problems of these companies could get worse, but that others could join them.

There are also signs that British commercial banks, which insist that they have been far more cautious than their US rivals in financing acquisitions and buy-outs with loans secured on the assets of the company being sold, are becoming more cautious than before.

"Because of the worsening economic environment, our thresholds are rising all the time," says Mr Nigel Doughty, managing director of the specialist financing division of Standard Chartered Bank, one of the UK bank leaders in the field.

Leveraged finance has caught on less fast in the UK than in the US and for that reason the recent woes of that market have also caused fewer anxieties, but awareness of the potential for problems and losses is growing. Last January, Mr Robin Leigh-Pemberton, the Governor of the Bank of England, said there should be no cause for concern so long as banks "do not throw caution to the wind in the pursuit of fashion and fee income." Since then, the Bank has been watching developments closely, and the Governor is expected to update his views in a speech at the Mansion House on October 19.

By the end of September, some £5bn ($8bn) worth of management buy-outs had been completed in the UK, topping the £4.4bn recorded in 1988, according to figures compiled by Peat Marwick McLintock.

Problems of defining what sort of deal, even which parts of a deal, should be included in the numbers mean that statistics on leveraged transactions are, to say the least, a bit woolly around the edges. Nevertheless, analysts estimate that UK banks have 1 per cent to 2 per cent of their assets in highly-leveraged transactions, which is about half the proportion at US banks. However, few figures are available for the activity of individual banks.

Mr Terry Smith, banking analyst at James Capel, who has been trying to obtain a clearer picture of UK banks' exposure, says that the task is made more difficult because many banks which arrange deals parcel their exposure on to other banks. He identifies Barclays, Bank of Scotland, Royal Bank of Scotland Group (through its Charterhouse merchant banking arm) and Standard Chartered as among the most active.

In its recent interim report, Bank of Scotland made a point of commenting in reassuring terms on its exposure to management buy-outs. "Whilst a few borrowers have been affected by the downturn in spending patterns on the high street," it said, "such problems are not of a magnitude to cause concern to the bank."

All banks which engage in highly-leveraged lending like to stress the diversity of their loan portfolio. Barclays Bank, one of the few banks which is prepared to give details, says its exposure is to 300 companies in 30 different industry groups, with an average individual exposure of £12m. "We have been very conservative about it," says Mr Brian Pearse, the finance director.

Standard Chartered has concentrated on doing a few large deals, such as the £375m mezzanine financing for the takeover of the Gateway stores group by Isosceles. It only did five deals last year worth an average £100m, though it also does complete packages. According to Mr Doughty, "only one has gone awry" in the market.

The Royal Bank of Scotland's exposure is about 1.5 per cent of assets. Although Charterhouse has been involved in putting a lot of deals together, it views the business as fee-earning rather than asset-generating, and it has kept relatively little on its books, Royal Bank says.

The policies adopted by banks have usually been aimed at directing leveraged finance into sectors which generate high cash flow – retailing for example. This has already proved to be far from a fail-safe strategy, however, as the problems of Lowndes Queensway in the UK and Campeau in North America have proved.

"The secret is not to be driven by greed but only to support those businesses that have a sound *raison d'être*, and where financing is sound and prudent," says Mr David Thornham, group risk management director of Midland Bank. Midland's exposure is mainly to advertising, fuel distribution, food and tobacco and engineering.

Mr Doughty of Standard Chartered says the problems of the buy-out market need to be kept in proportion.

But a considerable part of the UK banks' exposure is not in the UK so much as the US. Barclays has more highly-leveraged exposure in dollars than in sterling. This is partly because some traditional US corporate customers became buy-out targets and transformed themselves into highly-leveraged entities in the process, like RJR Nabisco.

This raises the question of protection for existing lenders. Bankers say that one lesson that has emerged from recent events in the US is that loans should contain tougher covenants preventing companies from becoming highly leveraged without their creditors' consent.

Quite how far the UK market will develop is still a matter of conjecture. Mr Doughty says: "The market hasn't even started here yet." He believes the UK is three or four years behind the US, and the Continental markets are five years further back still. The saturation of the US market is also diverting more funds – and expertise – towards Europe.

On the other hand, the UK tax structure is less favourable to buy-outs because the treatment of interest and dividends is less clear-cut. The present problems of the market are also raising awareness to the risks at a formative stage, and this is likely to make both practitioners and the authorities more cautious.

Although the more highly-geared US transactions are perceived by some bankers to be riskier than their UK counterparts, Mr Smith at Capel warns that this assumption "may not hold together if the UK economy experiences a harder landing than the US."

That would really put the British bankers' contention that they have been more prudent than their US counterparts to the test.

Concern over LBOs, Page 26

UK banks' exposure to highly-leveraged transactions

Barclays:	2% of total assets, or £2.5bn, at end of June.
Lloyds:	exposure and information limited.
Midland:	1–1.5% of assets, or £650–£1,000m, at end June. Has some exposure to RJR Nabisco.
NatWest:	1.7% of assets, or £1.7bn, at end 1988.
Bank of Scotland:	exposure has been as high as £750–£1,000m but is now down to some £300–£400m.
Royal Bank of Scotland:	long involvement with consortium bids (eg Woolworths) have given it a lead in UK transactions, including problem transactions like MFI and Lowndes Queensway.
Standard Chartered:	has set itself a ceiling of 1% of assets or £250m.

Source: Estimates by James Capel, subject to varying definitions of highly leveraged transactions

Russian gloom in the Vermont fall

By Anthony Harris in Washington

Everyone these days seems to have anecdotal news from the Soviet Union. This is not surprising: the authorities there are reported to have issued 20,000 exit visas offering academics and officials more or less unrestricted travel in the West, against about 1,000 in earlier years, and they are being used to the full.

Last week, a handful of them turned up in Vermont for a conference on Soviet-American business co-operation organised by the Geonomics Institute, an ambitious enterprise of Middlebury College. This is a mainly literary campus in the Robert Frost country near Lake Champlain; the institute is working to become a centre of expertise in East-West and North-South economic and financial relations; and it exploits its beautiful surroundings to attract high-level participation in meetings long enough to transact some serious business.

That was clearly the intention of the meeting last week, and I had expected to be able to report on the launch of a venture capital fund to start things moving in a new Soviet high-technology park, and the progress of a proposal for rouble convertibility. What actually happened, in three solid days of formal and informal contacts, was rather different: the Russian contributions seemed almost designed to dishearten the US participants, and certainly had that effect.

This performance begs for comment, and that is my main excuse for adding to the flood of amateur Sovietology from this unexpected vantage point. An interview with Governor Wayne Angell of the Federal Reserve, who took his own proposal for covertibility to Moscow last month (reported on another page), provides a second perspective.

The list of Soviet problems must be familiar by now. Familiar or not, the Soviet visitors took pains to rub them in. They suggested, indeed, that things are quite rapidly getting worse under perestroika; one Soviet speaker actually forecast real hunger and fuel shortages this winter.

The CIA in Washington has a ready explanation for this stress on the negative: the Soviet Union is engaged in a massive exercise in perception management. It hopes to break the confrontational habits of 40 years by publicising its problems in the West, and so gain a breathing space to solve them. There is a more sinister explanation which is theoretically possible: that the Russians are feigning weakness to disarm their opponents.

This has no significant support here: US Sovietologists have no doubt that the problems are real and pressing. Their views are respected in Moscow, where officials are often short of information.

All the same, are things really as bad as the picture offered in Vermont? Josef Brada, a US specialist in Soviet affairs, doubted it. He compared the present crisis of Soviet communism with the crisis of US capitalism in the 1930s, and suggested that the reports of the death of any system are usually premature.

Professor Brada stressed that the communist system had achieved high respectable growth rates until quite recently, and might in principle do so again, if current distortions could be corrected. To explain the fashionable despair, he cited a mixture of external shocks (notably the weak energy price) and impatient domestic psychology; communal gloom usually passes.

A different explanation, and a much longer time-scale, was suggested by participants from Poland and Hungary. Krysztof Lis, a management expert from Warsaw, pointed out that many of the recent reforms introduced in Russia had been tried in Poland; they had no effect as long as the party and its apparatus monopolised decision making.

Kalman Mizsei, a Hungarian economist, saw the problem as a mixture of psychology and history. Hungary, with the living memory of a working market system, reformed quite successfully in 1968, and its subsequent problems could be put down largely to rash foreign borrowing. In Poland, where history stopped in 1939, the adaptation was more difficult; in Russia, where only those in their nineties had any mature memory of another system (and that a bad one), the psychological barriers must be immense.

Finally, there are the more familiar analyses in terms which have no ideological bias: a price system which misallocates resources and the vast Soviet fiscal deficit, resulting in what the Russians call their monetary overhang. The proposed solutions to these problems have become known collectively as the problem of "internal monetisation".

This is clearly recognised in Moscow, and may explain recent proposals to legalise various forms of private property – including the ownership of the means of production, which offends central Marxist doctrine.

The most urgent aim is to encourage financial saving among Soviet citizens by offering real assets now collectively owned, and so head off a potentially disruptive flight from money. The resemblance of these proposals to capitalist market structure could prove much more apparent than real.

However, the Russians clearly do urgently want access to western technology (especially software), to markets and, more questionably, to capital. What became rather clear at this mainly bilateral meeting is that the US will find it very hard to play much part in this process.

The barriers are partly political – the US still charges punitive tariffs on Soviet goods, and leading US companies are afraid of a public relations backlash against any joint venture with Moscow.

The Russians, as their representatives made clear, find it much easier to work with Europeans, and the main foreign involvement in the high-risk enterprise called perestroika is going to be European.

Economics Notebook

Bitter taste of monetary union

EUROPE was given a minor taste of economic and monetary union last week: and it was bitter.

The one percentage point increases in the Bundesbank's discount and Lombard rates last Thursday were rooted primarily in a wish to combat the domestic overheating of the West German economy. But a welcome by-product for West Germany's central bank was that the European countries which have pegged their currencies to the D-Mark had to jump through the same hoop.

In recent months, the Bundesbank has been growing increasingly worried that fellow members of the exchange rate mechanism of the European monetary system have been behaving as if European monetary union is already in place.

Political resistance, particularly on the part of France, to a realignment of the EMS currencies has deprived the West German authorities of any opportunity to upvalue the D-Mark, which has been their favoured method of combatting inflationary pressures at home since the end of the 1960s.

Last week, the Bundesbank demonstrated that nations wanting to import price stability by pegging their currencies to the D-Mark would have to pay for the privilege.

Among the EMS members, the Netherlands, Belgium, the Irish Republic, and Denmark followed the West German move with full one percentage point increases in their own main lending rates, while France managed to get by with a ¾ point rise.

Outside the EMS, Britain's one-point jump in interest rates to protect the pound was matched by Austria, which always moves in line with the Bundesbank. Switzerland raised its discount rate by a ½ point.

Only the Netherlands protested publicly about the German move among the full EMS member states. Echoing remarks made earlier in Washington, Mr Onno Ruding, the Dutch finance minister, said the rate increase was "fully undesirable". The other nations chose to bite the bullet, despite a strong suspicion that their industries will be far less able to withstand the rate increases than West German industry.

This hard-line West German approach does not mean that further interest rate increases should be expected in the near future.

But it is unlikely that the members of the Bundesbank's decision-making central council will lose too much sleep if strains begin to appear in the EMS exchange rate mechanism.

One of the notable features of the EMS in recent weeks has been a recovery of the D-Mark to become the strongest of the "core" EMS currencies in its narrow 2.25 per cent fluctuation band.

In addition to raising interest rates, Mr Pöhl has been inviting the foreign exchange markets to try and force EMS parity changes by talking up the D-Mark at every opportunity and by publicly lamenting the "political impossibility" of a realignment.

International monetary officials do not like to think of themselves as cynics. But quite a few now think that the Bundesbank's plan is to force a realignment before the start next summer of stage one of the Delors programme for economic and monetary union in Europe.

In that way, it could buttress West Germany's defences against inflation and demonstrate to pro-union political leaders in Paris, Rome, Madrid and Bonn the many practical problems to be overcome before economic and monetary union can be achieved.

Material progress

We have been hearing a lot lately about the idea that a new industrial revolution based on the computer and information technology may be about to propel the developed world into a new "golden age" of economic growth in the 1990s.

What has been somewhat neglected by comparison is a parallel revolution in the development of advanced materials used by industry.

A forthcoming study from the Organisation for Economic Co-operation and Development* highlights how the market for advanced materials, such as superconductors, polymers and composites, is growing rapidly. Furthermore, as an input in production, advanced materials are inducing technological changes in many sectors of industry.

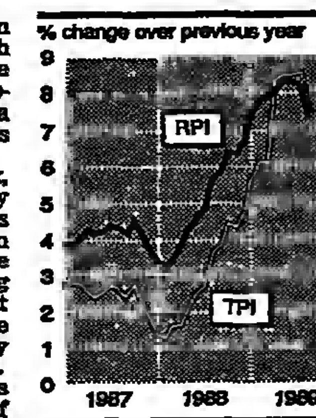
Although they are distinguished by relatively limited markets and high unit prices, they are being used increasingly in the car and aerospace industries, housing, health care and sport and leisure.

Production of such materials in Japan alone was worth $2.1bn in 1981. By next year, in constant dollar terms, the value of output should total $18bn. According to the OECD, production of advanced materials has grown at an annual rate of 18 per cent in Japan since 1983, compared with about 8 per cent for conventional materials, such as steel and chemicals.

Advanced Materials, to be available from OECD, 2 rue André-Pascal, F75775 Paris Cedex 16.

Peter Norman

THIS WEEK



FRESH INFORMATION on trends in inflation on both sides of the Atlantic will be provided this week by the publication of UK retail prices data and UK and US producer prices figures for September.

The UK retail prices index, out on Friday, will be closely watched by financial markets for any unexpected pick-up in prices. High interest rates have not slowed consumer spending as much as the Government would have liked, and the weakness of the pound may have pushed up import prices.

September's inflation rate is expected to rise as a number of autumn price increases come into the index. The consensus of analysts' forecasts compiled by MMS International, the financial research company, is for a monthly rise of 0.5 per cent. This compares with the 0.3 per cent rise in August.

The annual rate of inflation is expected to remain broadly unchanged at about 7.4 per cent, compared with 7.3 per cent in August. However, last Thursday's one-point rise in UK base rates is expected to trigger higher mortgage repayments, which would soon feed into initially higher recorded inflation, reversing the downward trend in the index established in July.

Mr Nigel Lawson, the Chancellor, gives his annual speech to the Conservative Party conference in Blackpool on Thursday. He is expected to come under fire for raising interest rates to 15 per cent last week.

Today's producer prices for British industry in September will offer advance clues to the domestic inflation figure. The MMS consensus is for a 0.3 per cent rise in input prices and a 0.4 per cent rise in factory-gate, or output, prices.

US producer prices for September are released on Friday. In August, they fell for the third consecutive month as energy costs dropped by 1¼ per cent.

The softness of intermediate costs and commodity prices continues, but with energy prices having risen during the month, the MMS consensus forecasts a 0.5 per cent rise in September. The annual rate is expected to fall slightly to about 4.1 per cent.

Other US statistics include retail sales for September, which are forecast to rise by 0.2 per cent in spite of a relatively poor month for domestic car sales.

In France, the key statistics due out during the week are consumer prices for September. UBS Phillips & Drew forecasts the annual rate to ease from 3.4 per cent in August to 3.3 per cent. Also out this week from Paris will be the current account for August and the official reserves for September.

Other events and statistics this week include:

Today: West German consumer prices for September, EC finance ministers meeting in Luxembourg.

Tomorrow: West German retail turnover for August, and balance of payments for September.

Wednesday: US, wholesale trade for August. West German wholesale prices for September.

Thursday: US, monetary aggregates for September. UK, quarterly analysis of bank advances for August. West German producer prices for September.

Friday: Japan, wholesale price index for September.

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL LOANS

Concern over LBOs impedes business

WORRIES in the international loans market about the fate of some of the UK leveraged buy-outs it has financed over the last couple of years have slowed business but not halted it.

Even outside the buy-out sector, bankers say it is becoming tougher to arrange financing. Banks are scrutinising deals more closely and are more likely to say no than they were six months ago.

None the less, Lloyds Bank Capital Markets will be syndicating a £535m term loan facility to help finance the acquisition by Australian Mutual Provident of Pearl Group. The funds have been provided by Lloyds and Chase Manhattan, which together are providing a further £265m in working capital for AMP which will not be syndicated. Terms have not been disclosed.

Into syndication last week went Anglo United's financing for its acquisition of Coalite.

The financing is split into a £200m bridging facility (18-month maturity and interest margins rising over time from ¼ point to 3 percentage points) and a £200m term loan. The latter is split into a £155m six-year, fixed-rate financing at 12.45 per cent and a £45m 12-month facility with a 1¼ point margin.

Midland Montagu, which is leading that transaction, is also arranging a £100m five-year multiple option facility for Glynwed of the UK. Terms have not yet been disclosed.

J.P. Morgan is syndicating a £100m facility for CIS Mortgage Maker, the mortgage origination arm of the UK's Co-operative Insurance Society. The loan, ultimately secured on the long-term business of CIS, carries a five-year maturity, a 20 basis point margin and a 8¼ basis point commitment fee, rising to 10 basis points if the facility is less than 40 per cent drawn.

In the commercial paper market, Moody's assigned a P1 rating for a $5bn CP programme for Beta Finance, a vehicle created by Citicorp to hold investment grade bonds. Issuance can either be in the US or in the Euro-commercial paper market.

Mr Rupert Murdoch's News International has arranged a £100m commercial paper programme through Midland Montagu. Barclays de Zoete Wedd will also be a dealer.

BZW has arranged a £100m programme for Iceland Frozen Foods, which has recently arranged through Barclays a £100m multiple option facility. Midland Montagu is the other dealer on the programme.

Stephen Fidler

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	1,855.5	26.8	0.0	11,109.2
Prev	975.7	0.0	65.0	12,081.3
Other	1,426.0	0.0	431.6	3,363.0
Prev	1,622.0	0.0	579.4	2,368.8
Secondary Market				
US$	19,867.9	1,155.7	7,854.7	8,709.9
Prev	15,722.5	802.0	4,537.1	5,234.6
Other	20,875.4	990.9	5,957.4	30,303.4
Prev	16,162.7	821.0	4,913.5	26,686.7

	Cedel	Euroclear	Total
US$	12,644.3	37,935.4	50,579.7
Prev	8,693.5	30,724.7	39,418.2
Other	24,512.8	38,834.9	63,347.7
Prev	19,368.1	33,805.0	53,173.1

Week to October 5, 1989 Source: AIBD

Novel issue from Poulenc

RHONE-POULENC, the French state chemicals and drugs group, is raising close to $900m through a novel issue of participating shares with warrants, writes Stephen Fidler.

The issue is to help finance purchases of two special chemicals businesses – from RTZ for £512m plus the assumption of £56m of debt, and from GAF for $480m. It will be offered in equal shares to the US and the international market.

The securities, underwritten by Shearson Lehman Hutton, Merrill Lynch and Société Générale, conform closely to non-voting equity. The French Government holds all voting shares in Poulenc, which has reached a 25 per cent limit on the issue of non-voting shares.

A small, fixed annual payment gives the securities the legal characteristics of participating shares, which have tax advantages to the issuer, but most of the payment is related to company profits.

INTERNATIONAL BONDS

Italy's $1.5bn reoffering comes in for close scrutiny

THE DOLLAR sector of the Eurobond market is braced for action this week, with several deals expected to hit the screens. None will be watched with more interest than the $1.5bn five-year deal awarded to Morgan Stanley last Thursday by Italy.

The deal was still under price negotiation on Friday, and is scheduled for launch today or tomorrow. As the latest of the fixed-price reofferings to test the syndication techniques of the Euromarket, it will be the subject of special scrutiny.

Syndicate officials say there are several reasons for this. Not least, they believe the deal already marks a sea-change in the commissions available to underwriters of jumbo Eurobond deals.

Banks which were bidding for the mandate – against the tide, as Morgan Stanley was apparently favoured by Italy from the start – reported that a fixed commission of only ¼ point was acceptable to Italy, not the ⅜ point fee to which some leading houses, including Morgan Stanley, had previously appeared to commit themselves.

The borrower had drawn a lesson from the original reoffered deal launched by Morgan Stanley for New Zealand, and was persuaded both by press coverage and by syndicate managers advocating other underwriting methods that it simply did not need to pay ⅜ point for the privilege of raising funds.

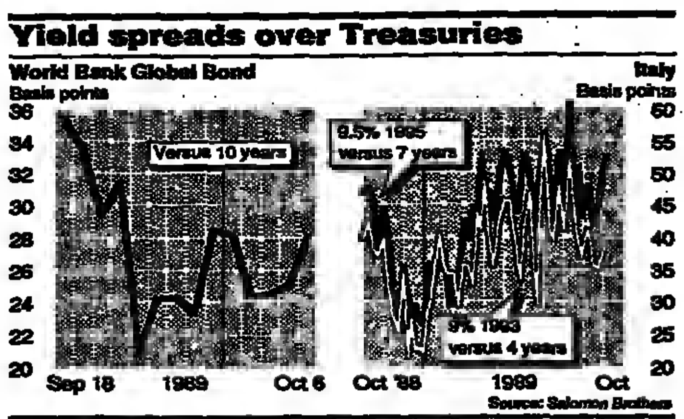
While this is not the first deal to have such a small fee – a reopening of an OKB issue by Paribas Capital Markets set that standard – it is powerful evidence that borrowers have already become used to cracking the commission whip.

Syndicate officials were philosophical. "I thought we'd get here, but not so fast. Still, it's adequate compensation for this deal," was how one described the development. Italy's position on fees has opened the question of just how far underwriters' margins can be squeezed or, put another way, how little the banks are prepared to work for.

Nevertheless, Mr Denys Firth, of Morgan Stanley, urged those seeking to generalise about commission levels to take two considerations into account.

The first was that in such a diverse market no single deal creates a precedent for all other deals; the second was that fees on reofferings have the advantage of being transparent and do not depend on the negotiating powers of a single bank.

On another level, Italy's preference for jumbo Euromarket issues inevitably invites comparison with the conspicuous success of the World Bank global bond issue and other reofferings. Traders now think the World Bank's deal has its agency status on US trading desks principally to thank for its performance.



The deal tightened in yield terms against the equivalent US Treasury in a fashion that took even its strongest supporters by surprise. Big institutions are thought to have acquired substantial positions in the bonds which are proving as liquid as the bank's officials had hoped.

The widening of the spread on Friday was in reaction to the strong rally on the US government bond market, a rally which is distinctly double-edged for the Italy issue.

On the one hand, the rally signalled that the timing of the Italy deal was good in terms of the underlying strength of the dollar bond market. Equally, the inevitable widening of Eurodollar spreads caused by the rally makes the indicated spread on the Italy bonds of 42 to 44 basis points look less attractive.

Syndicate officials were relatively unperturbed, most of them having placed their underwriting allocations with investors earlier in the day, before the main Treasury rally occurred.

If the rally continues early this week, however, the Italy issue might be the first of the recent reofferings to widen in spread terms after launch. The New Zealand issue, for example, was trading some 20 basis points inside its launch spread last week.

If this is the case, the deal will probably join previous jumbo offerings by Italy as a benchmark which lacks the reverential status of really hot issues.

This will also be partly due to the hard questions beginning to be asked about Italy as a credit in international markets.

Critics point out that the funding requirements of the borrower have been growing alarmingly, and that the international portion of those requirements has to include substantial chunks of the monthly CTE Ecu auctions that have made up the bulk of Italy's domestic borrowings.

Investors outside Italy have been buying the bonds and asset swapping them to achieve some spectacular yields.

Ecu paper, which yields 10.3 per cent, including withholding tax, can be asset swapped to give roughly 15 basis points below London interbank offered rate.

In spread terms, for anyone lucky enough to be able to exploit double-taxation treaties or tax credits, this can represent as much as 150 basis points over Treasuries.

Even conservative accounting, which assumes a less favourable tax treatment and a yield less the withholding tax of around 9.3 per cent, implies a spread over Treasuries of 65 basis points. This sort of yield might prove less resistible than straight dollar bonds at 42 over the yield curve.

Andrew Freeman

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Kokusai Secs.#◆	150	1993	4	3⅝	100	Nomura Int.	3.625
Hitachi Maxell#◆	60	1993	4	4	100	Nikko Secs. (Europe)	4.000
Koa Fire & Marine Ins.#◆	250	1993	4	3½	100	Nomura Int.	3.500
Shinagawa Fuel#◆	100	1993	4	3½	100	Yamaichi Int. (Eur)	3.500
Nissan Motor Co.#◆	1.5bn	1993	4	3⅜	100	Yamaichi Int. (Eur)	3.375
Swedbank◆	25	1990	1	8⅞	100⅞	Sanwa Int.	7.991
Toyota Motor Finance◆	200	1992	3	9⅛	101¼	Daiwa Europe	8.634
Japan Highway◆	180	1996	7	8⅞	101⅛	IBJ Int.	8.654
Toyo Menka Finance◆	20	1993	4	8⅞	101⅝	Nikko Secs. (Europe)	8.380
LTCB Finance◆	150	1999	10	9⅝	101⅞	LTCB Int.	9.329
Nichias Corp.#	100	1993	4	(4)	100	Yamaichi Int. (Eur)	★
Formula Ltd.(p)‡◆	60	1993	4	20bp	100.10	Fuji Int. Finance	-
AUSTRALIAN DOLLARS							
Swedish Export Credit◆	70	1990	1	9	93⅞	Paribas Cap. Markets	16.112
D-MARKS							
Shinagawa Fuel#◆	40	1994	6	1⅜	100	Dresdner Bank	1.375
Kurosaki Refractories#◆	100	1994	5	1⅜	100	Deutsche Bank	1.375
Nihon Plast Co.★★◆	20	1994	5	7⅝	101½	IBJ Germany	7.257
Tiroler Sparkasse★★◆	15	1999	10	7	100¼	Banken Union	6.964
Deutsche Finance(o)◆	500	1994	5	7	100⅞	Deutsche Bank	6.788
SWISS FRANCS							
Funai Res. & Dev.(b)★★§◆	25	1993	-	⅜	100	SBC	0.375
Teraoka Seisakusho(c)★★◆	50	1994	-	¼	100	Banque Paribas	0.250
Bank of Fukuoka(a)★★§◆	300	1994	-	½	100	UBS	0.500
Sanko Senzai Kogyo★★#◆	50	1993	-	1¾	100	Citicorp Inv. Bank	1.750
Japan Found.Eng.(q)★★§◆	50	1994	-	¼	100	Nomura Bank (Switz)	0.250
CNT★★◆	200	1996	-	8	100	UBS	8.000
Bunkeido Co.★★#◆	25	1994	-	1¾	100	Banca del Gottardo	1.750
Daiichi Corp.(g)★★§	100	1994	-	(¼)	100	UBS	★
Taikisha Ltd.(h)★★§	60	1995	-	(¼)	100	Yamaichi Bank(Switz)	★
Fujikura Rubber(i)★★§	30	1994	-	(½)	100	Nomura Bank (Switz)	★
Northern Feather(k)★★◆	18	1994	-	5	100	Handelsbank NatWest	5.000
Goldwin Inc.(l)★★§◆	50	1995	-	⅜	100	Yamaichi Bank(Switz)	0.375
Hoxan Corp.(m)★★§	60	1994	-	(¼)	100	SBC	★
STERLING							
Cheltenham & Glouc.(e)‡◆	25	2004	12½	40bp	100	Samuel Montagu	-
ECUs							
World Bank◆	100	1994	5	9	101⅞	Paribas Cap. Markets	8.524
LIRE							
Deutsche Bank Finance◆	200bn	1994	5	12⅜	101.80	Banco di Roma	11.932
SWEDISH KRONOR							
LB Schleswig-Holstein◆	300	1994	5	11⅛	101⅝	Copenhagen Handelsbk	10.689
Esselte AB◆	250	1991	2	11½	101.35	Svenska Int.	10.715
AUSTRIAN SCHILLINGS							
Austria, Rep. of(n)‡◆	6bn	1992	3	-⅛	100	Oest.Laenderbank/CSFB	-
YEN							
European Community◆	14.5bn	1992	3	5.3	100.80	Nomura Secs.	5.072
Postipankki(d)◆	1.5bn	1991	2	12	101⅛	Nippon Credit Int.	-
Credit Lyonnais(f)◆	10bn	2004	15	(f)	102¼	Credit Lyonnais	-
Swedish Export Cr.(j)★★◆	3bn	1991	2	6½	100	Daiwa Europe	6.500
BFCE◆	30bn	1993	4	5.4	101¼	Nikko Secs.	5.115
Ind. Dev.Bank, India◆	20bn	1999	10	5.7	101.35	Daiwa Secs.	5.599
Bank of Montreal(d)◆	6bn	1992	3	8	100	Bankers Trust Int.	8.000

◆Final terms. ★★Private placement. #With equity warrants. §Convertible. ‡Floating rate notes. a) Yield to put 3.590%. b) Yield to put 3.522%. c) Yield to put 3.629%. d) Redemption linked to Nikkei stock index. e) 40bp over 6-month Libor. f) Coupon 7% in sterling for 10 years, then yen Libor plus 1%. Call after 10 years at par. g) Indicated yield to put 3.866%. h) Indicated yield to put 3.894%. i) Indicated yield to put 3.881%. j) Redemption linked to Nikkei stock index. k) Conversion price DKr243. l) Yield to put 3.609%. m) Indicated yield to put 3.8%. n) ⅛ under 3-month Vibor, Sch4½bn offered on international market. o) Fungible fr om October 26 with DM1.5bn issue (DM1bn launched in June and increased by DM500m in July). p) 20bp over 6-month Libor. q) Yield to put 3.497%. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Evidence mounts of turn in $ trend

THIS COLUMN asked last week whether the world's finance ministers had finally got serious about the dollar.

By late last Friday the question had been answered. This time, the Group of Seven seems genuinely determined to force a change in currency trends.

They appear to mean business to an extent not seen since the spectacular dollar support operation they launched in Tokyo on the first trading day of 1988. As a result, bond market conditions around the world may be on the brink of a period of profound change.

What was the evidence for these assertions? It was certainly not to be found in either the US bond or currency market's recent performance. Last week the so-called economic fundamentals, which in the markets' current thinking amount to nothing more nor less than interest differentials, moved decisively against the dollar.

Yet the US currency closed a pfennig and three yen higher on the week and central bankers seemed almost to have abandoned their ineffectual efforts at intervention.

There were some good reasons, none the less, for believing that the trend has changed for the dollar. And if this turns out to be true, then the outlook for the US bond market will be much more uncertain than last Friday's bullish employment figures might otherwise have implied.

The first reason for questioning the bullish consensus on the dollar is an ambiguous one from the bond market's standpoint. It is now very likely that the Federal Reserve Board will resume its monetary easing. Indeed, there are several Fed-watchers who believe that the relaxation has already begun.

They suggest that the gradual decline in the Federal funds rate from the high side of 9 per cent to 8⅞ per cent at the close of trading on Friday was not just a technical aberration but a deliberate policy act.

On this argument, the five-day matched sales which the Fed used to drain liquidity on Friday morning, shortly after the release of the weak employment figures, were not meant to prevent money rates from falling, but only to smooth the decline – and of course to keep the markets guessing.

While this was distinctly a minority point of view on Wall Street last Friday, the balance of opinion may well have changed by the time the markets get back into full swing on Tuesday, following today's Yom Kippur and Columbus Day holidays.

The reason for believing this lies in the release of the latest Federal Open Market Committee minutes after the markets closed on Friday night.

These FOMC minutes seemed far more significant than usual, for both the bond market and the foreign exchanges. Their message on interest rates was relatively straightforward. The Fed voted on August 22 for a directive that tilted to monetary easing.

The significance of this message was reinforced by the fact that the decision was not unanimous. The FOMC minutes noted that some members objected to any tilt toward relaxation because the Fed's previous directive had been "symmetric in form."

Accordingly, "a bias in the new directive towards ease might lead to a misreading of policy in the context of an unacceptably high rate of inflation." Nevertheless, the anti-inflation hawks were persuaded to support easing, with the sole exception of *Mr Roger Guffey*, from the Kansas City Fed.

In the event, the easing did not take place last month because the economic indicators did not appear to warrant it. But with the renewed weakening in the latest figures, it seems almost certain that last week's FOMC meeting reaffirmed or even strengthened the bias towards lower interest rates.

The second revelation in the FOMC minutes was more subtle, but probably even more important both for the bond market and for the foreign exchanges. It came in a reference to another divided vote, which apparently took place on the weekend of the Washington G7 meeting.

On the face of it, the vote was a technical one – to approve an increase from $18bn to $20bn in the Fed's foreign currency positions. But as the minutes made plain, the *real debate was on a much* more profound issue – how far to go in backing up G7's judgment, announced that weekend, that the rise in the dollar was *"inconsistent with economic fundamentals."*

Given the constitutional position of the Fed as a mere agent for the US Treasury in the foreign exchange markets, the outcome of the vote was not in doubt. But again the notes of dissent, this time from Mr Manuel Johnson, the Fed's vice chairman, and Mr Wayne Angell, its one *semi-monetarist* governor, revealed the true significance of the issue.

The new currency authorisation was intended "to facilitate *intervention to drive the dollar* lower." The objective was not simply "to avoid disorderly market conditions by stabilising or limiting increases in the *dollar exchange rate," the dis*senters protested.

The implication of the FOMC debate seemed clear. G7 really did change its strategy at the Washington meeting on September 23. The objective was no longer to stabilise the world's currencies within their Louvre agreement trading ranges.

G7 now intended quite specifically to drive the dollar down, even perhaps at the risk of "confusing market participants concerning *the US policy* commitment toward price level stability," Messrs Johnson and Angell said.

A clearer *statement* from a more authoritative source could hardly have been imagined. The era of semi-fixed exchange rates, ushered in by the Louvre agreement in February 1987, may now be over.

And if the *FOMC*'s debate was not sufficiently persuasive, a strikingly analogous message was coming from the other side of the Atlantic, from *Mr Karl-Otto Pöhl, president of* the Bundesbank.

A currency realignment in the European Monetary System would now be "certainly *desirable and welcome," for* German monetary policy and for international economic equilibrium, he said. Even within the EMS, it seems, the *medium-term stability of* exchange rates could no longer be assumed.

If the world's exchange rates started moving again in line *with true economic fundamen*tals, rather than mere differences in interest rates, the implications for bond markets would be momentous.

If currencies started responding to trade imbalances and inflation differentials investors would have to consider steady currency losses on their dollar *holdings. The interest advan*tage of US over German and even Japanese bonds would then become far less compelling.

Anatole Kaletsky

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds	8.87	8.94	8.94	9.92	8.00
Three-month Treasury bills	7.82	7.90	8.09	9.03	7.15
Six-month Treasury bills	8.02	7.87	8.17	9.03	7.37
Three-month prime CDs	8.80	8.85	8.85	10.36	8.18
30-day Commercial Paper	8.75	8.74	8.80	9.95	8.05
90-day Commercial Paper	8.68	8.65	8.67	10.05	8.14

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	99	+1⅛	8.06	8.37	8.20
20-year Treasury	111⅛	+2⅜	8.12	8.37	8.25
30-year Treasury	101⅞	+2⅜	8.01	8.24	8.15

Money supply: In the week ended September 25 M1 rose $1.9bn to $782.4bn

NRI TOKYO BOND INDEX

December 1983 = 100	5/10/89	Average yield (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	149.59	5.35	149.73	148.67	147.83
Government Bonds	149.65	5.15	149.93	148.79	148.10
Municipal Bonds	151.12	5.60	150.30	150.56	149.60
Govt.-guaranteed Bonds	152.27	5.60	152.42	151.50	150.60
Bank Debentures	143.60	5.32	143.57	142.58	141.74
Corporate Bonds	152.28	5.59	152.11	150.97	149.64
Yen-denom. Foreign Bonds	156.93	6.18	156.75	155.63	153.35
Government 10-year†	5.16	-	5.11	5.06	4.95

† Estimated par yield

Source: Nomura Research Institute

UK GILTS

Yield curve unmoved by rate rise

THE Government's decision to raise interest rates to 15 per cent on Thursday led to the predictable bond market reaction: if it means slower growth, this must be good for gilts. By the end of the week's trading it was remarkable, nevertheless, how little difference the move made on the yield curve. At the long-dated end, yields still ended above 10 per cent.

The rise in interest rates did much to bolster the Chancellor *of the Exchequer's* anti-inflation credentials. It raised, however, the spectre of a much harder landing for the economy than generally expected.

It also left him with at least three, and probably more, months in which the foreign exchange markets can test sterling again and possibly force another rate rise.

On Friday Mr Nigel Lawson appeared to be reluctant to contemplate a further rise in interest rates. He expressed his *hope that they had reached a* ceiling, but did not reissue his *pro forma* warning that they would be held at whatever level for as long as necessary.

"*A difficult time ahead*," was the phrase used by Treasury officials to describe the period from now until clear signs emerge that wage settlements have peaked and are on the way down. The Treasury clearly hopes that the rise in borrowing costs will stiffen the spine of management in the current wage round. Implicit in its – and the Chancellor's – warning over the past days is that interest rates will stay at 15 per cent until pay bargainers toe the line.

But at any time Mr Lawson could face the prospect of raising interest rates to 16 per cent or allowing sterling to fall. A straw poll of market commentators showed *they were either* unsure about his response or reasonably sure he would let the pound slide – probably by about 5 per cent.

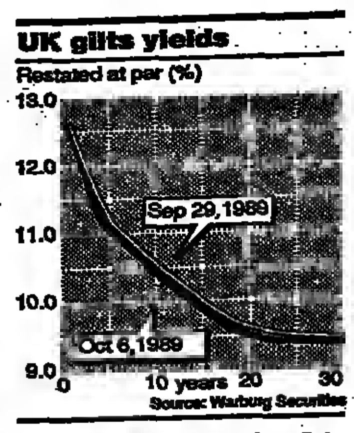
For the *latter* prospect the calculation is partly political: the Government is in the business of staying in government. Also, Sir Alan Walters, the *Prime Minister's personal eco*nomic adviser, is known to emphasise the setting of policy in light of domestic conditions and to be less concerned about *the exchange rate*.

This view is also based on the state of the real economy where the picture is ambiguous. This is probably why the *Chancellor was persuaded on* domestic grounds for a rise in rates. Nevertheless, as one official noted, several different interpretations of the state of *the economy can* be advanced from the data.

Many in the market believe the economy is more robust than it ought to be at this stage in *the cycle. Figures on* industrial and commercial companies (ICCs) in the second quarter did give some pause for thought, though. It is the basis for those who see a much harder landing for the economy. A £9bn financial deficit for ICCs in the first half of the year (up from £6.6bn in 1988) may presage a savage retrenchment of stocks and investment in 1990. It will probably lead to higher unemployment.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

The Treasury knew the ICC numbers before the decision to raise rates and it probably calculated that companies, which have to begin correcting their financial position, would have to be even tougher on wages.

Goldman Sachs, the US securities house, believes the growth in the company deficit materially increases the risk of a hard landing, but a recession, *such as occurred in 1975 and* 1980 (after deficits in the preceding years), is unlikely.

It compares the current position with 1964-66, when for *three successive years ICCs* returned a deficit. Then, as is expected now, company profits did not fall sharply and only minor cut backs were needed to return companies to surplus.

* * *

What would happen to long-dated gilt prices if the authorities ceased buying-in stock?

Having missed the speed with which the Government's finances went into surplus, are analysts underestimating the speed of the contraction in the surplus? A consensus is developing that the Government will have a PSBR surplus of £11bn in 1990/91 – about the same as the view for this year.

This is despite downgraded growth forecasts to below 2 per cent, and the Treasury's Budget forecast of £10bn based on a 2 per cent growth outlook.

Salomon Brothers, the US banking and securities house, is going for £8bn. With about £7bn of redemptions, and assuming the maintenance of the full fund policy, that suggests gross issuance of gilts.

If true, this would be a neat reversal of market conditions. This year has been characterised by a supportive technical position but a terrible fundamental economic backdrop. A cessation of the buy-in activity would remove the technical factor as economic fundamentals came into play. There will be a new PSBR estimate in the Autumn Statement.

Simon Holberton

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
A.B.N. 8½ 91	150	98¾	+¼	9.40
ABBEY NATIONAL 8⅝ 93	150	99½	+⅜	9.15
AETNA LIFE & CAS 7⅛ 1⅛	200	96	+⅛	8.11
ANFC O/S FIN 11⅛ 94	100	101¾	0	11.32
ALBERTA PROVINCE 7⅞ 91	750	97⅞	+⅛	8.83
ALBERTA PROVINCE 9⅝ 95	600	102⅝	+1⅛	8.73
ALCOA AUSTRALIA 11 92	80	101¾	+⅛	10.45
[illegible]				
QUEBEC HYDRO 9¾ 98	150	105⅛	+1⅛	8.80
QUEBEC PROV 9 98	200	101⅛	+1⅛	8.76
QUEBEC PROV 13 90	150	103⅜	0	9.54
QUEENSLAND GOVT 11⅜ 89	100	100¼	0	9.52
RALSTON PURINA 11⅛ 95	150	107⅞	+⅛	9.96
REYNOLDS R.J. 10⅛ 95	100	96⅞	+⅛	11.25
RICHARDSON-VICKS 11⅛ 95	125	102⅛	0	10.71
ROCKWELL INT 9⅞ 90	200	100⅛	0	9.59
S.A.S. 10⅛ 95	150	103½	+1⅛	9.34
[illegible]				
THORN EMI 5⅛ 04 £	103	110⅝	-⅛	2.67

YEN STRAIGHTS	Issued	Bid price	Chg on week	Yield
ALLIED-SIGNAL 6⅛ 93	20.0BN	102⅝	0	6.00
AUSTRIA 4⅝ 94	30.0BN	96⅛	-⅛	5.57
AVON CAPITAL 6⅛ 91	26.0BN	99⅛	-⅛	6.86
BARCLAYS O/S INV 6 96	40.0BN	102⅛	-⅛	5.59
[illegible]				

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions. FLOATING RATE NOTES: US Dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn=current coupon. CONVERTIBLE BONDS: US Dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price. WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex.yld=exercise yield at current warrant price. Closing prices on OCTOBER 6

Senate proposes tighter curbs on futures trading

By Peter Riddell, US Editor, in Washington

TIGHTER regulation of US futures markets is now certain following the publication of Senate proposals which are tougher than new rules already approved by the House of Representatives.

Under the proposals, which have widespread support on the Senate Agriculture Committee, the Commodity Futures Trading Commission would be required to assess each futures exchange's surveillance and compliance programme on a two-year cycle.

If the commission finds flaws in the programmes, a deficiency order would be issued mandating an exchange to remedy the problem within a specified time.

If the exchange did not comply, it would be subject to suspension and to fines of up to $500,000 a violation, five times larger than the current maximum. The commission would also be required to suspend dual trading – where brokers deal for their own account and for customers at the same time – where an exchange cannot show that its surveillance system is able to detect abuses.

Exchanges would be ordered to create audit trails within three years which would record transaction times independently and precisely, more specifically than the House version.

The bill would allow customers who believe traders acting for them had wilfully broken the rules to sue for recovery of funds plus punitive damages equal to twice the amount lost. At present customers can only sue for actual damages.

The funding of the commission would be increased by 50 per cent in real, inflation-adjusted, terms over the next five years, in order to strengthen its enforcement and surveillance efforts. This would be financed by user fees.

Senator Patrick Leahy, the Democratic chairman of the Senate Agriculture Committee, called the bill "tough medicine for a tough time. Tough medicine is necessary if the futures industry is to regain the public's confidence."

The futures exchanges have adopted a low-profile response, hoping for amendments during the bill's passage, although publicly they have expressed concern about the user or service fee as a transactions tax which could raise the cost of futures trading in the US and damage the exchanges' international position.

Himont rejects parent's offer to buy minority

HIMONT, the US petrochemicals business controlled by Montedison of Italy, has rejected the parent's offer to buy out the 19 per cent minority, writes Anatole Kaletsky.

Himont said a special committee of independent directors concluded unanimously it was "not fair to Himont public shareholders." Montedison offered minority shareholders $47 a share in cash plus a warrant to purchase Montedison stock which it valued at $2. In total Montedison valued the Himont minority at $380m.

When the offer was made in July, Himont's shares stood at around $40 and the bid was considered reasonable by many analysts. Himont, the world's biggest producer of polypropylene resins, was widely considered vulnerable to the worldwide decline in commodity chemical prices and to the rising cost of petrochemcial feedstocks.

Recently Montedison suffered a similar rebuff to its initial buy-out bid for the 28 per cent minority in Ausimont, a specialty chemicals business. The company managed eventually to win agreement without much improvement in terms.

Bronfmans agree to inject C$415m into BCE unit

By Robert Gibbens in Montreal

BCE, Canada's largest conglomerate, has brought in the Toronto-based Bronfman empire to inject C$415m (US$352m) into BCE Development (BCED), its troubled property subsidiary.

Carena Developments, controlled by Messrs Peter and Edward Bronfman through Hees International Bancorp, will take 49.9 per cent of BCED and take over its management. The rest will be held by BCE.

BCE tried twice to bring the Reichmanns of Olympia and York Developments into BCED. The latest attempt failed when an O&Y offer of C$700m for all of BCED met opposition from BCED minority shareholders.

BCED has suspended a plan to sell its remaining US properties, where many of its problems are located. Writedowns, particularly on these, will reduce its existing assets of about C$2bn. Carena has C$11bn in assets.

Banesto sells stake in unit

By William Dullforce in Geneva

JULIUS BAER, the Zurich-based banking group, has bought 40 per cent of Gestora de Patrimonios (Gestisa), Madrid, the investment subsidiary of Banco Espanol de Credito (Banesto). The company will be renamed Gestisa Baer.

The price of the transaction was not disclosed. Gestisa, with a staff of about 25, manages private portfolios. Julius Baer aims to develop an asset management business for both private and institutional Spanish clients. The company will offer Spanish clients opportunities for investing in foreign securities and will market the investment funds operated by Banesto and the Julius Baer group.

Earlier this year Banesto acquired 1,500 bearer shares of Baer Holding, equivalent to about 1.3 per cent of the total capital of the Julius Baer group's parent company.

NEWS IN BRIEF

Pirelli's Swiss arm plans rights

SOCIETE Internationale Pirelli, the Basle holding company affiliated to the Italian Pirelli group, is to raise about SFr262.1m ($159.8m) through a one-for-six rights issue, writes John Wicks in Zurich.

The company has a 37 per cent stake in Pirelli SpA of Milan and is itself owned 40 per cent by Pirelli Holding, the Italian concern's Zug subsidiary. The issue is priced at SFr310. Each share would have a warrant to buy a further share at SFr380 before the end of next year.

■ GIB, Belgium's biggest supermarket group, publishing interim consolidated figures for the first time, showed profit for the six months to July of BFr1.41bn ($35.4m) compared with BFr2.27bn for the previous 12 months, writes Lucy Kellaway in Brussels.

The group forecast an increased dividend for the full year. Turnover rose 18.5 per cent to BFr98.5bn.

■ THE merger between Bergen Bank and Den norske Creditbank (DnC) which will form Den norske Bank (DnB), the country's largest, has led Standard & Poor's to place their credit rating under review, writes Karen Fossli in Oslo.

S & P said it may lower Bergen Bank and raise DnC, adding that the "consolidation stage could represent a formidable task." Each had "credit losses at very high levels."

■ MALAYSIA'S state-owned Bank Bumiputra posted net losses of 1.06bn ringgit (US$395m) for the year to March because of provisions totalling 1.23bn ringgit for non-performing loans, Reuter reports from Kuala Lumpur.

The bank had net profits of 19m ringgit for 1987-88. Most of the provisions were for loans before a rescue in early 1985.

■ THE council of the Hong Kong Stock Exchange approved on Saturday a two-day settlement period for stock transactions in a future central clearing project, Reuter reports from Hong Kong.

The market currently operates on 24-hour settlement.

Crash landing for NZ high-flier

Rachel Johnson and **Terry Hall** on the collapse of DFC New Zealand

The collapse last week of DFC New Zealand, the former state-owned development bank, has caused ripples in international capital markets and has cast further doubt on the security of investing in New Zealand – host country to a series of financial disasters following the rapid deregulation of the economy by the reforming Labour government since 1984.

It has led market participants to point out the risks of corporate short-term securities and has called into question the approach of credit rating agencies.

A clearer explanation of why the former high-flying bank suddenly went under may emerge in an initial report expected early this week from the statutory managers, effectively receivers, who were appointed by special Act of Parliament last Tuesday.

This followed the government's refusal of a request from the National Provident Fund, the quasi-state entity which owns 80 per cent of DFC, to provide financial guarantees for DFC's foreign bad debts, which have been unofficially estimated at between NZ$130m and NZ$250m (US$146.9m).

The bank was the ninth largest in New Zealand, with total assets of NZ$3bn and international debt at around NZ$2.2bn. This includes some NZ$500m in short-term DFC paper, NZ$1.3bn in long-term debt, and NZ$340m in lower ranked debt mostly held by Japanese banks and leasing companies.

Observers are hoping the statutory managers will shed light on the state of DFC's accounts when it was privatised in June last year. Salomon Brothers, the New York investment bank which has been involved in raising loans for the New Zealand Government for many years, bought the remaining 20 per cent.

Together they paid NZ$111m, well below DFC's stated net tangible asset backing of NZ$139m, prompting political controversy at the time. The two, which earlier this year put substantial sums into DFC, declined last week to inject further funds.

DFC reported a loss of NZ$4.9m in May after writing off NZ$98.7m. The NPF and Salomon injected NZ$45m in capital in July. Subsequently the NPF bought DFC's share portfolio for NZ$180m and later wrote off NZ$82m of this as worthless. Last week Mr John Feltham, NPF chief executive, admitted DFC had been slow at re-evaluating its own assets.

Standard & Poor's, the US credit rating agency, has meanwhile come in for sharp criticism for its pre-collapse ratings of DFC. Even when the rival Moody's was giving commercial paper the thumbs-down with a rating of P2, S & P continued to grant an A1 rating. It downgraded it to A2 only in August (together with BB2 for long-term debt).

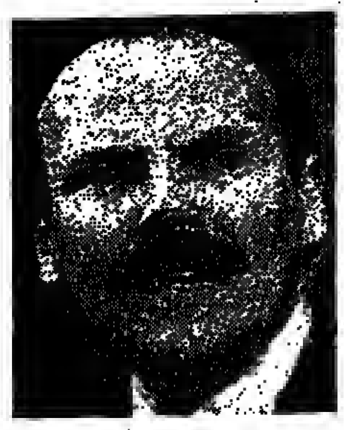
It was only after a moratorium was placed on the bank's debts and deposits last week, and the fund to pay bank creditors was frozen, that S & P downgraded the bank and its affiliates to below investment grade. Moody's continued in its downward marking of DFC since privatisation to make the bank Not Prime.

On Friday S & P hit back at its detractors. The agency maintains that its rating decisions were partly dependent on a "key factor" – a statement of support for DFC from the NPF as majority shareholder. In a letter of July 1988, the NPF said a fund of $200m would be available to DFC, as preferred stock or subordinated debt, "until such time, if ever, the funds are required." Government assurances of financial aid in a crisis are also thought to have been decisive.

But the NPF and Salomon both declined to provide further capital when DFC's loan losses became clear. The National Provident says there is no contradiction between its 1988 undertaking and its decision to refuse loan capital to DFC. It was acting within its prudential requirements.

As for the risks of short-term commercial paper, DFC's failure has left the market with a strong message: *caveat emptor*. About $270m worth is estimated to be outstanding and as yet unpaid.

Since last Tuesday, DFC has been defaulting on its payments – its last was for $5m of Euro-commercial paper maturing today. Moody's, however, says that foresighted investors in the US took note of the P2 and P3 ratings, and $300m worth of outstanding debt in US was punctually paid off this year.



David Caygill: ruled out government intervention

The CP market has been unusually volatile since the collapse. A widening in spreads between government-owned, guaranteed securities and corporate risks is to be expected in New Zealand, says Mr Guy Williams, of Fay Richwhite, a leading local merchant bank. "Though the basic economic picture has not changed, the international markets are very wary of exposure to corporate risk in New Zealand."

Mr Paul Collins, NPF chairman, believes the collapse will prove to be New Zealand's worst. "It will cause a huge ripple effect in the financial community and will be disastrous for small business." Mr David Caygill, Finance Minister, dismissed Mr Collins's fears, saying the possible effects were not sufficient to merit government intervention.

Some observers see the bank's crash as predictable. Deregulation in 1984 encouraged an entrepreneurial spirit in the financial community.

Freed virtually overnight from the constraints of exchange control and overseas investment rules, and bolstered by a stock market that hit unprecedented heights, formerly strait-laced organisations like DFC and Bank of New Zealand, another government-controlled institution, led the way to lending excesses.

Both have paid the price. BNZ required a NZ$600m injection this year after incurring a NZ$648m loss before a key shareholding was sold to Fay Richwhite. Unlike BNZ, DFC is unlikely to survive.

It is the first significant financial institution to join the ranks of entrepreneurial companies that have collapsed in recent years. The DFC collapse is controversial because it is also the first time a New Zealand group has been subjected to statutory management when the bulk of its borrowings are from overseas banks.

They are angry at the appointment of statutory managers because repayment of their loans is frozen and it is impossible to use normal legal remedies through the courts, say, to seek to wind up DFC. All DFC's loans are unsecured.

Mr Don Francis, of Deloitte Haskins and Sells, one of the DFC statutory managers, said last week he knew that overseas investors were keen to learn their rights. He said that the new Reserve Bank Act under which they were working, one expressly designed for financial institutions, offered a better resolution for the difficulties. Investors could also consult with the managers to ensure the best outcome.

The collapse of the former high-flying DFC has been taken phlegmatically by New Zealanders who have seen many of their proudest companies fail in a morass of debt, or be taken over by Australian or British interests since the 1987 crash.

Its failure in many ways is a case study of the changes New Zealand has faced since 1984. DFC was a sober development bank, which concentrated on venture capital for innovative new businesses, exchange control and overseas borrowing, and educating small business. Under the Labour government its role changed dramatically. It became an aggressive merchant bank, often undertaking high interest, high-risk loans that rival banks were unwilling to touch.

There has been a steady diet of bad news from DFC this year. It was forced to appoint receivers to a number of companies under its wing, while others it was involved with collapsed. It was involved in a protracted series of court actions to seek to recover debt from shaky companies.

It is thought most unlikely DFC will resume trading. Local interest now centres on the future of a number of big property ventures it was funding to see if they can be completed.

UK COMPANY NEWS

Scantronic plans to buy control of FBX of US

By Andrew Hill

SCANTRONIC Holdings, which makes control and data communication equipment for the security industry, plans to buy a controlling interest in FBX Corporation, a US manufacturer of alarm components and systems.

If successful, the UK company will inject its existing North American subsidiaries into FBX.

FBX's shares are traded on NASDAQ, the US screen-based over-the-counter market. Assuming the deal is approved by FBX stockholders, Scantronic will pay up to $11m (£6.86m), including $800,000 of cash already within its USsubsidiaries, for a 75 per cent stake in the US group.

US securities laws mean the UK group must announce its intentions now, although the actual deal will probably not be completed until late November, after Scantronic has carried out the usual checks on FBX's trading record.

FBX, based in Hauppauge, New York, manufactures for the same residential alarm markets as Scantronic (USA), which trades as Acron and was bought by the UK company in August 1988.

Mr Chris Brookes, Scantronic's chief executive, said the combination of FBX and Acron's resources would give the enlarged subsidiary a strong position in the market.

"We have a manufacturing operation in the US and Canada at the moment, but we are small in US terms.

At the same time, the market is consolidating quite quickly," explained Mr Brookes yesterday.

He said it would also introduce Scantronic to the top end of the market, supplying products to the central alarm monitoring stations in the US run by UK-listed companies such as ADT, Holmes Protection Group, and Automated Security Holdings, which owns 27.5 per cent of Scantronic.

In the six months to May 31, FBX made about $249,000 before tax on sales of $8m, compared with $152,000 and $6.2m in the equivalent period. It had net tangible assets at that date of about $3.45m. In the last full year to November 30, 1988, FBX incurred losses of $665,000, before tax, on sales of $12.3m.

Tiphook and Stena extend their £1bn bid for SeaCon

By Andrew Hill

TIPHOOK, the UK container rental company, and Stena, the private Swedish ferry operator, have extended their hostile $1.02bn (£636m) offer for Sea Containers, which announced it would put forward alternatives to the bid before the end of the month.

The Anglo-Swedish predators said that the Sea Containers statement seemed to indicate the ferry and container group was now taking the $63-a-share offer seriously.

The offer, which has been running for nearly 20 weeks, has been extended until November 3 in New York. Sea Containers common shares rose $2 to about $64 in the US by last Friday.

Stena and Tiphook said they expected Sea Containers to keep its earlier promise that the rescue plan would be submitted to a meeting of shareholders for approval.

Anglo Pacific Resources profits rise to over £1m

ANGLO PACIFIC Resources, a USM company formerly known as North Sea & General, increased its profits from £780,000 to £1.06m pre-tax for the opening six months of 1989.

Earnings on a nil basis worked through 0.19p higher at 1.07p.

Turnover was lower at £2.55m, against £2.72m.

Since the half-year end an agreement had been negotiated to farm out the Abu Dhabi oil interest to an oil major, conditional upon the relevant authorities extending the term of the existing concession agreement.

However, this was not forthcoming and Anglo Pacific now expects the concession agreement to be terminated this month.

As a consequence, the company said it would have to write off past exploration expenditure of some £960,000 relating to this prospect as an extraordinary item in the full year results.

Derbyshire CC cleared over Miss World bid

By John Ridding

DERBYSHIRE County Council has been cleared by the Takeover panel of allegations made by the Sunday Times concerning its conduct during the bid by the Miss World Group, the broadcasting and entertainment company, for the Manchester-based Piccadilly Radio.

The Sunday Times reported last month that the Stock Exchange and the Takeover Panel were investigating "questionable" share dealings by Derbyshire County Council and Miss World Group (now Trans World Communications) at the time of the takeover battle.

But in a letter to the council, Mr Richard Godden, secretary to the Takeover Panel said; "we have found no evidence of any breach of the code on the part of either Miss World or Derbyshire County Council arising from any connection between them."

Mr David Bookbinder, the council leader, said that the allegations made by the Sunday Times are very damaging and that the council is to issue legal proceedings for defamation against the newspaper.

Royal Bk Scotland

Banco Santander of Spain has dropped plans to make a $200m long term loan to Royal Bank of Scotland Group, in which it owns 10 per cent. This is because Royal Bank's capital ratios are adequate for its present needs.

The loan was originally intended to cement further the alliance between the two banks.

FT Share Information Service

The following securities were added to the Share Information Service in Saturday's edition:

Babcock International Group (Section: Engineering).

Blackland Oil (Third Market).

Buehrmann-Tetterode N.V. (Paper).

Mitsubishi Electric Corporation (Electricals).

Nationwide Anglia Building Society 13⅞% Bds. 13/8/90 (Loans-Building Societies).

North American Gas Investment Trust (Ord. & Warrants) (Investment Trusts, Finance, Land).

Smith (James) Estates (Property).

WPP Group Warrants (Paper).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Bio-Isolates, Chelsea Artisans, Cliff Resources, IBA International, S & U Stores.
Finals- Norex, Perstorb, Savage, TIP Europe.

FUTURE DATES

Interims-

Aitken Hume International	Oct. 13
Allied Insurance Brokers	Oct. 10
Anglo-Eastern Plantations	Oct. 11
British Gas	Nov. 16
British Steel	Nov. 16
British Telecom	Nov. 16
Calor	Nov. 28
Cape Industries	Dec. 6
Chelsea Artisans	Oct. 9
El Oro Min & Exploration	Oct. 12
English National Inv	Oct. 25
Exploration Co	Oct. 12
FR Group	Oct. 24
Henderson Admin	Nov. 7
Hopkinson	Oct. 27
Hyman	Oct. 10
Latham (James)	Dec. 8
Melville Street Invs	Dec. 12
Porter Chadburn	Nov. 30
Rea Group	Oct. 11
Runciman (Walter)	Oct. 17
SKF	Oct. 26
Witan Investment	Nov. 16

Finals-

Castle Communications	Oct. 17
Coalite	Dec. 5
Equity & General	Oct. 10
Gleeson (MJ)	Nov. 9
Kalamazoo	Oct. 26
Kwik Save	Nov. 29
Lowland Investment	Oct. 21
Lucas Industries	Oct. 23
MB Group	Nov. 7
Manganese Bronze	Oct. 16
Pegasus	Oct. 26

UK COMPANY NEWS

Settlement ends an unhappy saga for WPP

By Nikki Tait

WPP, the UK-based advertising agency and marketing services group headed by Mr Martin Sorrell, is to receive $7m from Lord, Einstein O'Neill & Partners, the US agency, as settlement of various legal actions involving the two parties and LEO's main financial backers, Young & Rubicam.

The settlement brings to an end an unhappy saga which developed in the wake of WPP's successful takeover of the New York-based JWT Group in 1987.

In addition to the main J. Walter Thompson agency, JWT took in the smaller Lord, Geller, Federico, Einstein subsidiary, well-respected for its creative reputation and holding a number of prestigious accounts – in particular, that of International Business Machines.

In March 1988, however, six senior executives of Lord Geller walked out to form their own rival agency – Lord Einstein O'Neill – with financial backing from Y&R, another large US-based agency group.

WPP commenced legal action, and there were subsequent counter-claims by the defectors.

In a joint statement released late on Friday evening in New York, the various companies said that all claims and counter-claims were being settled and that the cash payment "does not suggest wrong-doing by any of the parties."

Nevertheless, there appeared to be some satisfaction yesterday that the matter had finally been resolved.

Restrictions have been imposed on Lord, Einstein O'Neill for over a year and, although these were amended in October last year, LEO had still undertaken not to do business with existing Lord Geller clients.

In the meantime, all parties have incurred significant legal costs. WPP's expenses on this score to date are believed to be around $2m.

In addition to the $7m cash settlement, the former Lord Geller executives will waive certain potential remuneration entitlements, which might have amounted to approximately $2.5m. Moreover, WPP is understood to have made provision in its accounts for some "golden parachute" claims, totalling around $4m-$5m, which will now be written back.

However, the lengthy battle leaves the ongoing Lord Geller agency much-reduced from its previous incarnation, despite replacement recruitment by WPP and some recent account wins.

The IBM account was lost last year, and the agency currently employs around 100 people compared with about 270 before the defections. Annual billings are put at some $50m, compared with over $200m in the agency's heyday.

COMPANY NEWS IN BRIEF

AMBER DAY has revised the terms for the recent acquisition of Woodhouse. Terms of the deferred consideration are immediate payment of £750,000 to be satisfied by the issue to veodors of 1.293m shares and a possible further payment of £250,000 by way of a 12 month unsecured loan note payable in 1993 which is conditional upon the aggregate pre-tax profits of Woodhouse for the 3 years to July 31 1992 being in excess of £2.5m. This aggregate amount of up to £1m will extinguish any further payment in respect of the deferred consideration.

ARLEY HOLDINGS has exchanged contracts for the sale of a 1.84 acre site in Eastbourne for £810,000 of which £200,000 has already been received.

BOOKER'S subsidiary chain of retail pharmacies, Kingswood, is merging with GK Chemists, owned by Mr Gus Kiamtia and his family. The merged business, Kingswood-GK, will be 60 per cent owned by Booker and 40 per cent by the Kiamtia family. In 1988 combined sales were more than £55m for pre-tax profits of £2.5m.

BROMSGROVE Industries wholly-owned subsidiary, Delmar Group, has disposed of Delmar NMC to NMC Kenmore (UK), a Belgian-owned private concern, for an initial £1.2m. An additional deferred consideration is payable in the event that net assets of Delmar, as at September 30 1989 exceed £657,000. Then a guaranteed amount of £50,000 will be paid, added to which there will become payable the entire amount by which net assets exceed £707,000.

EXPLAURA HOLDINGS: Of the 5.4m ordinary offered via a rights issue 4.12m shares (76.3 per cent) were taken up. The balance will be subscribed by the underwriters. The demerger of Gander River Resources has become effective.

HAVELOCK EUROPA: Chairman told the annual meeting that order books were reasonable healthy. He was cautious about expectations for the current eight month period to December 1989 but confident that the full year 1990 would see a marked degree of recovery.

First Tokyo experiences downturn in net assets

By Nikki Tait

FIRST TOKYO Investment Trust, which became the investment trust sector's new fully indexed fund when shareholders backed a change of management and investment policy in January, experienced a setback in net asset backing from 187.5p to 183.2p in the six months to end-June.

At end-June 1988, the figure stood at 177.7p.

However, the trust said the comparison was misleading because the restructuring, carried out in February, cost 2.25 per cent of the fund's net assets. This expense, plus the payment of £1.15m to the former managers, as a severance fee, reduced net asset value by 6.4p a share.

With regard to the indexing, FTIT said that in the four months from March 1 the trust's net asset value underperformed the Tokyo First Section index by 1.5 per cent on a sterling-adjusted basis. But in the three months since June, net asset value increased by 16.5 per cent while the sterling-adjusted TOPIX rose by 9.1 per cent.

The new managers, London & Bishopsgate International, also claim that since the restructuring, the discount to net asset value was reduced to eight per cent in the March-June period, and stood at a similar figure on September 29.

In the half year to end-June, gross income reached £227,000, but this was outweighed by administrative expenses of £321,000, leaving a pre-tax loss of £94,000. The severance costs paid to the former managers were taken as an extraordinary item, leaving a net loss of £1.27m.

Cashing in on the atom smasher

David Fishlock on Amersham's purchase of Medi-Physics

IT'S worked out a treat", said Dr Stuart Burgess, chief executive of Amersham International, of its purchase of the US-based Medi-Physics from Hoffman-La Roche, the Swiss pharmaceuticals group.

It gives Amersham its long-sought US manufacturing base for radio-active agents, doubles its market share and avoids the need to invest up to £10m in a new cyclotron.

Medi-Physics already boasts five cyclotrons and has just taken delivery of its latest.

Amersham and Medi-Physics are high-technology companies specialising in selling radio-activity in small packages, for a myriad of uses in medicine, research and industrial control.

Each package consist of a radio-isotope made by transmutation of one element into another by atomic collisions, either in a cyclotron ("atom-smasher") or in a nuclear reactor. It can be likened to a highly refined kind of nuclear waste.

Five companies dominate the world market for radio-active agents, each with roughly 12 per cent of the £300m market. The purchase gives Amersham a clear lead with 25 per cent.

The rivals are DuPont and Mallincrodt in the US, and a Japanese joint venture between Sumitomo and Hoffman-La Roche (Medi-Physics), which remains unaffected by Amersham's acquisition.

Hitherto, Amersham and Medi-Physics have been both trading partners and rivals.

Amersham has been buying molybdenum-99, made in a privately-owned US nuclear reactor, for conversion to technetium-99 in a portable source of radio-activity known as a "cow," widely used in laboratories by scientists who "milk" it as needed.

But Medi-Physics has been a competitor of Amersham with another product, iodine-123, a short-lived radio-isotope that rivals Amersham's Ceretec range of medical diagnostic agents.

Ceretec is one of the brightest stars in a portfolio of products running to several thousand.

It also illustrates the technical sophistication of radio-pharmaceuticals today, and why Amersham spent 11.3 per cent of its sales – nearly £20m – on research and development last year.

"We're a company that turns other people's bright ideas into products", Dr Burgess says. His scientists scour the world for novel uses for radio-activity, then develop them into packages convenient to make and market.

In 1983, a senior Amersham scientist learned that a professor at the University of Missouri had found a molecule that would pass freely through the membrane which normally protects the brain against chemical incursions. He knew how important the discovery could be for doctors seeking a better view of the brain.

The challenge for Amersham was to label this molecule with radio-activity so that it would illuminate tell-tale signs of strokes, dementia and other diseases.

It persuaded US dons that it would bring the molecule to market quicker than any other company, says Dr Burgess. The dons wanted royalties but part of the deal was for Amersham to fund further work at the university.

It took Amersham scientists two years and £7m to come up with their powerful new test of brain function. Now the doctor buys Ceretec as an inactive chemical and makes it radio-active when he is ready to inject it into his patient, using a technetium "cow."

Amersham launched Ceretec in Britain in 1985, and in the US and Japan earlier this year. Sales reached £5m in 1988 and are expected to double this year.

Since it was privatised in 1984, Amersham has been investing heavily in research into non-radioactive agents in the belief that the opportunities here promised faster growth than for radio-activity.

Nevertheless, 85 per cent of sales worth £180m last year came from radio-active products.

Its first major diversification will be Amerlite, a new method of assay based on luminescence. It has already spent £20m developing the technology and a range of new instruments to exploit it.

Like Ceretec, Amerlite originated in a university – this time in the UK.

"The companies that innovate are the ones that are profitable", Dr. Burgess believes. "But you don't have to make the great discoveries yourself".

A recent casualty of Amersham's rapid expansion in research and development expenditure in pursuit of new products has been an underlying research programme, from which it had hoped more ideas of its own might spring.

It has been spending about £2m a year on longer-term research – split equally between novel bio-sensors (for rapid food assay, for example) – and other prospective products.

This summer it abandoned most of this programme except for the bio-sensor research, and in consequence will shortly lose its research director, Dr Peter Garland.

Dr Burgess forecasts some retrenchment in R and D spending in the current year, from 11.3 per cent of sales to between 10-11 per cent.

But Amersham remains indisputably a high-technology company spending on R and D the same proportion of sales as most innovative electronics and pharmaceuticals groups.

Managing director of Amstrad Spain resigns

By Alan Cane

MR JOSE Luis Dominguez Morales, managing director of Amstrad's Spanish subsidiary and a member of the Amstrad executive board, has resigned both responsibilities, the company said. He continues as non-executive president of Amstrad Espana.

His resignation comes at a time which has seen the Amstrad share price fall from 70p a week ago to a low of 58p before recovering to 64p last Friday.

Mr Kenneth Ashcroft, Amstrad finance director, said Mr Dominguez Morales had been a successful entrepreneur and that following Amstrad's purchase of his distribution business he had built the Spanish operation into Amstrad's third largest European operation after the UK and France.

Wm Ransom sells headquarters

William Ransom & Son, manufacturing chemist, has disposed of its headquarters at 104 Bancroft, Hitchin, Hertfordshire, to a local property company.

Consideration will be satisfied by the property company purchasing a new site and funding the construction of a new production and head office facility up to a total of £9.43m. The entire cost of the new factory is forecast not to exceed £12m.

Tullow Oil jumps to I£41,000

Tullow Oil, the Dublin-based independent hydrocarbon exploration and development group which graduated from the Third Market to the USM last week, announced a jump in pre-tax profits to I£41,413 (£35,865) for the first six months of 1989. The previous figure was I£17,513.

The directors were confident that 1989 would be an important year of progress and achievement.

Interim turnover rose to over I£1m (I£360,883). Operating profits were I£394,197 (I£250,826). Earnings advanced from 0.03p to 0.05p.

SHARE STAKES

Elswick: Scottish Amicable Investment Managers has acquired 1,251,129 ordinary. Its total holding is now 8,897,973 (6.63 per cent).

Evans Halshaw: M and G Investment Management has acquired 736,863 ordinary bringing its total holding to 1.98m ordinary (9.05 per cent).

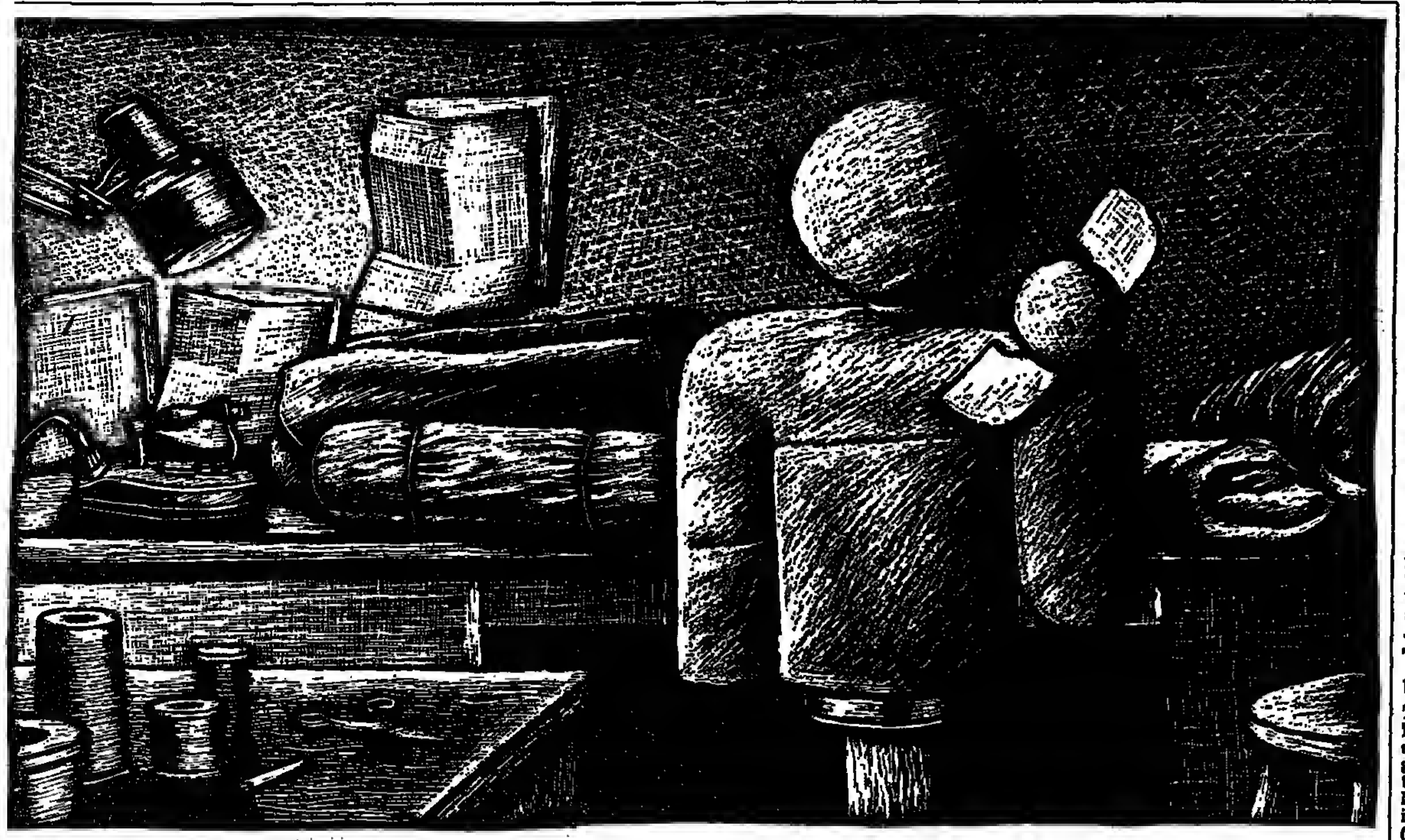
James Fisher: On September 21 Brian Graham Robinson, Rowland Frederick Hart Jackson and Diane Sara Meacock acquired non-beneficially 5,000 (0.021 per cent) at 189p. The total holding is now 8,408,380 (35.272 per cent).

Five Oaks Investments: London Securities has purchased 445,000 ordinary and now holds 2.945m ordinary (8.25 per cent).

Leopold Joseph: Queen Anne's Gate Asset Management, on behalf of the pension funds administered by the National Rivers Authority, has acquired 400,000 ordinary (7.61 per cent). Robin Herbert and his family interests has acquired 126,000 ordinary at 500p, making a total of 439,208 shares (8.35 per cent).

Logica: CIN Industrial Investments has acquired 1m ordinary (1.64 per cent) bringing the total holding to 4,035,880 (6.64 per cent).

Majedie Investment: Sir John Kemp Barlow, Bart, a director, has acquired beneficially 156,000 ordinary at 276p each bringing his total holding to 5,142,952 (19.58 per cent).



GRANVILLE
SPONSORED SECURITIES

Capitalisation £000's	Company	Price	Change on week	Gross div (p)	Yield %	P/E
8124	Ass. Brit. Ind. Ord	342	0	10.3	3.0	9.2
770	Armitage and Rhodes	30	0			
126882	Bardon Group (SE)	185	-8	4.3	2.3	18.0
20070	Bardon Group Cv. Pref. (SE)	115xd	-5	6.7	5.8	-
5141	Bray Technologies	85	0	5.9	6.9	7.5
	Breamhill Conv Pref	105	0	11.0	10.5	-
	Bramhill 8¼ New C.C.R.P	104	0	11.0	10.6	-
1094	CCL Group Ordinary	208	0	14.7	5.1	3.6
2100	CCL Group 11% Conv Pref	160	0	14.7	8.8	-
16740	Carbo Plc (SE)	223	0	7.6	3.4	13.2
770	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
-	Magnet Gp Non Voting A Cnv*	3.75	0	-	-	-
-	Magnet Gp Non Voting B Cnv*	1.5	-0.25	-	-	-
10195	Isis Group	128	0	8.0	6.3	7.3
25551	Jackson Group (SE)	119	0	3.6	3.0	13.8
24173	Multihouse N.V.(AmstSE)	310	+10	-	-	-
1612	Robert Jenkins	158	+2	10.0	6.3	5.7
18000	Scruttons	375xd	+10	18.7	4.0	10.0
9195	Torday & Carlisle	297½	0	9.3	3.1	10.4
	Torday & Carlisle Conv Pref	110	0	10.7	9.7	-
4346	Trevian Holdings (USM)	101	-2	2.7	2.7	10.9
-	Unistrut Europe Conv Pref	148xd	+8	9.3	6.3	-
6270	Veterinary Drug Co. Ltd	380	0	22.0	5.0	9.4
7415	W. S. Yeates	331	+1	16.2	4.9	27.6

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Prices taken at 5pm and change is from previous close at 9pm

FINANCIAL TIMES STOCK INDICES

	Oct 6	Oct 5	Oct 4	Oct 3	Oct 2	Sep 29	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs.	84.61	84.14	84.16	84.59	84.51	84.57	89.29	83.75	127.4	49.18
Fixed Interest	95.21	95.01	95.09	95.19	95.20	95.68	99.59	95.01	105.4	50.53
Ordinary	1857.8	1866.2	1890.2	1899.3	1876.9	1885.7	2008.6	1447.8	2008.6	49.4
Gold Mines	208.0	209.2	209.4	208.9	211.9	212.0	215.2	154.7	734.7	43.5
FT-Act All Share	1153.22	1156.99	1172.99	1175.94	1163.75	1169.58	1225.80	921.22	1238.57	61.92
FT-SE 100	2277.5	2281.6	2312.1	2318.6	2289.2	2299.4	2426.0	1782.8	2443.4	986.9

LAW SOCIETIES ADMISSIONS
1st OCTOBER,1989

LEGAL COLUMN

Benefits of a junket in a pretty French town

By Robert Rice, Legal Correspondent

LAST WEEK 2,250 lawyers from 74 countries descended on Strasbourg for the International Bar Association's biennial business law conference.

At the end of five days of talking in some 120 sessions on subjects as far-ranging as "turnkey heavy plant contracts," to "northern dawn: constitution as a tool for indigenous development and growth," the question has to be asked: was it all worth it?

The question must particularly be asked of the 390 lawyers from the UK, *most of them from City law firms, and* the 360 lawyers from the US to all of whom time is undoubtedly money.

Was the conference of tangible benefit to them or was it really just an excuse to get out of the office for a week a junket in a pretty French frontier town?

The most obvious benefit to be had from being in Strasbourg last week was in building up connections and alliances with foreign lawyers. The UK lawyers in particular were marketing themselves hard to European colleagues. Old acquaintances were renewed and new business referral arrangements forged.

Regular attenders at these gatherings noted how much more aggressive the selling process had become since the last conference in London in 1987 – a reflection of the 1992 phenomenon and the grip it seems to have on the legal profession.

Mergers, too, were in the air, with prominent law firms in West Germany, the Netherlands and Canada choosing the moment to announce wedding plans.

Over and above those factors, however, it is difficult to assess what benefit the conference held. The insistence on English as the official conference language created its own particular difficulties for a good third of those presenting papers, to whom English was not the first language (nor even the second, judging by a number of speeches).

Business law talks promised much but often delivered little

Certainly the standard and content of the sessions were *comme un oeuf du cure*. Sessions that promised much frequently delivered little.

The session on EC anti-trust and competition policy in the light of 1992, for example, promised a star-studded line-up: Mr Jean-François Verstrynge, a member of the Delors Cabinet; Mr John Temple Lang, director of DGIV; Mr Terry Calvani, of the US Federal Trade Commission; Sir Gordon Slynn, a judge of the European Court in Luxembourg; Mme Edith Cresson, the French Minister of European Affairs; and Mr Rolf Gebelth, Division Head of the German Ministry of Economic Affairs.

In the end only Mr Temple Lang, Mr Calvani and Mr Gebelth turned up. Good though the first two were, their contributions at the beginning of a session scheduled to last all day were not enough to hold the interest of the audience, many of whom were specialists in the competition field, until the turn of Mr Gebelth late in the afternoon.

That was unfortunate because what Mr Gebelth had to say about his country's approach to competition policy in the EC, in relation to Europe-wide merger control, was really very interesting.

He said the West Germans were convinced that, in order to curb non-competition-oriented, political influence, the power to prohibit mergers should be placed in the hands of an *independent European Cartel Office*, and not in those of the European Commission.

In advance of the expected settlement of the outstanding issues holding up adoption of the European Merger Regulation at a meeting in Brussels this week, that was mildly provocative stuff.

The Germans appreciate, however, that a European Cartel Office would necessitate amendment of the EC Treaty and that, for the foreseeable future at least, that is out of the question.

As a long-term objective over the next 15 to 20 years, on the other hand, it is something they intend to pursue with vigour, Mr Gebelth says.

In the meantime they agree with the commission and the other member states that the introduction of European merger control has become urgently necessary.

Here again the Germans have controversial views. Until the treaty is amended, the only feasible solution to proper merger control is to provide for a prohibition procedure oriented solely to competitive criteria, they say.

Without being able to push through the "best solution" of an independent cartel office, the West Germans believe that would be the best possible alternative.

If a situation arose in which a merger ought to be prohibited in order to maintain effective competition in the markets involved, but there were thought to be enough general economic benefits for the EC to make an exception and allow it to go through, then a sacrifice would have to be made and the general economic benefits to the Community lost.

The second-best solution favoured by the Germans would not permit the recognition of such general economic benefits for the Community where a merger ought to be prohibited on purely competition policy grounds.

However, he said this sacrifice of flexibility in merger control should not be all that difficult to accept. With unrestricted enforcement of the competition principle there would be better prospects for improving the development of competition in the Community as a whole.

This, he said, was probably more important than worrying about the pros and cons of very exceptional individual cases.

Practical implementation of the "best solution" would, the Germans believe, be doomed to failure at the moment because of the market realities that had to be dealt with.

Against the background of the economic integration attained in the EC up to now, the Commission was not likely to be able to assess the relative merits of the case for and against an individual merger.

How would it, for example, be able to draw an economic balance between the dangers of monopoly in country A, job benefits in country B, and a contribution to regional development in countries C and D? It would have to place the interests of one member state above the interests of others, Mr Gebelth said.

European merger control would be discredited in the eyes of the public and that would strengthen the natural tendency of politicians of the member countries involved in the merger to take an interest in an individual case in order to try to influence the outcome.

It was clear that business and industry favoured absolute, exclusive control of European mergers from Brussels. Yet excessive approval by industry was usually a sure sign that there was something radically wrong with competition policy, he said.

The Germans are convinced thet the close co-operation of the EC authorities with the national agencies on a case-by-case basis will contribute to the crystallisation within the Community of a uniform competition policy awareness.

That awareness would then later facilitate the extension of European merger control by progressing from the second-best solution to the best solution – that of placing the power to prohibit mergers in the hands of a fully independent European Cartel Office.

Such awareness would also help curb the harmful influence of politicians on administrative decisions at the European level, he added, just as had been done in the federal republic.

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AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
High Income						
American Income	6	57.05	57.65	61.34	4.47	40000
Gilts & Fixed Int	6	108.0	105.0xd	114.6	8.75	40001
High Inc Equity	6	133.4	136.2xd	144.9	4.38	40002
Worldwide Bond	6	200.8	200.8	212.7	4.98	40003
Capital Growth						
American Growth	6	206.7	208.6	222.0	0.86	40004
Asian Pacific	6	113.5	115.7	123.1	1.06	40005
Assets & Earnings	6	159.6	159.6	170.7	2.17	40006
Capital Reserve Acc	0	86.59	86.59	86.62	4.62	40007
Capital Reserve Inc	0	76.87	76.87	76.89	5.20	–
Comdty & Energy	6	111.7	114.7xd	122.1	1.56	40008
1992 Enterprise	6	60.17	61.36	65.28	1.96	46597
Euro Capital Acc	6	97.93	98.60	104.9	0.71	40009
Euro Capital Inc	6	94.33	95.01	101.1	0.74	–
General	6	176.5	176.5	188.8	2.66	40010
International	6	55.20	56.66	59.64	1.84	46652
Japan	6	120.1	121.1xd	128.8	0.00	40011
Mastertrust	6	92.29	92.29	98.71	1.72	40012
UK Growth Acc	6	198.1	198.1xd	211.9	1.32	40013
UK Growth Dist	6	130.8	130.8	139.9	2.00	40014
US Emerging Cos	6	56.94	58.59	62.34	0.00	40015
Income & Growth	6	302.3	308.5	328.2	3.12	40016
Ethical	6	48.61	48.61	51.99	1.92	40017

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Amer Inc & Growth	5¼	34.11	34.11xd	36.42	2.78	40019
European	5¼	75.00	75.81	80.93	0.00	40025
European Income	5¼	71.64	71.64xd	76.47	2.45	41377
Exempt		801.8	801.8xd	833.9	1.86	41379
Extra Income	5¼	44.10	44.18xd	47.16	4.43	40021
F East Emrg Econs	5¼	55.52	58.80	62.97	0.35	41380
Fund Inc Tst	5	130.8	132.1xd	141.0	1.93	40100
Do Accum	5	203.7	205.7xd	219.6	1.95	40101
Gilt & Fixed Int	5¼	21.05	21.75xd	23.22	10.17	40026
Income & Growth	5¼	71.10	73.10xd	78.03	3.79	40029
Intl Income	5¼	67.60	67.60	72.16	4.70	41382
Japan	5¼	211.9	211.9	226.2	0.00	40031
Pacific	5¼	432.1	432.1	462.8	0.30	41384
Secure Income	5	200.1	200.1xd	213.6	5.70	41385
Smaller Companies	5¼	60.44	60.44xd	64.52	2.01	[illegible]
Special Situations	5¼	71.57	71.57xd	76.40	1.16	[illegible]
UK Growth	5¼	38.32	38.32xd	40.91	2.18	[illegible]
World Growth	5¼	55.78	55.70	59.55	0.10	[illegible]

Acorn Unit Trust Managers Ltd (1100)F
1 White Hart Yd, London Bridge SE1 1NX 01-407 5966

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Ethical Tst	5	105.8	110.4	115.9	2.58	46830
Do Accum	5	107.9	112.5	118.2	2.58	46853

Aegis Unit Tst Mngmt Ltd (1400)F
94 Whiteladies Rd, Bristol, BS8 1QX 0272 237593

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Intl Growth	6	50.23	51.15	54.41	1.50	47002
Managed Income 4	3	50.34	50.34	51.65	5.00	47004
CAnico Intl Recovery	5	49.91	51.71	54.43	1.69	46137
Clifton Prem Perf	6	53.13	54.28	57.74	1.60	46675
Global Sector P'folio	6	49.30	49.89	53.07	3.00	47001
IPS Income & Grth	6	54.59	55.54	59.09	5.00	47003
St Nicholas St Gth Inc	5	46.38	47.09xd	55.36	4.70	46338
St Nicholas St Gth Acc	5	48.45	49.19xd	53.79	4.70	46633
Blackstone Franks UK	5	45.86	47.09	49.31	1.50	46353
Blackstone Franks UK Acc	5	46.61	47.86	50.30	1.50	47000
Blackstone Franks Int	5	57.94	59.43	62.56	1.50	46354
Blackstone Franks Int Acc	5	58.45	59.95	63.11	1.50	46999

AEtna Unit Trusts Ltd (1600)F
AEtna House, 2-12 Pentonville Road, London, N1 9XG
Dealing: 0277 261010 Advice: 01-837 6494

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
European Growth	5	161.7	161.7xd	173.4	0.70	40033
Exempt	2	443.9	443.9	464.7	5.10	40034
(Accum Units)	2	1153.0	1153.0	1206.0	5.10	40035
Far Eastern	5	273.0	273.0xd	292.4	0.0	40036
(Accum Units)	5	296.4	296.4	317.4	0.0	40037
Fin & Property	5	79.89	83.16	88.09	2.41	40038
(Accum Units)	5	132.6	138.0	146.1	2.41	40039
High Yield	5	90.54	92.40	97.87	5.08	40040
(Accum Units)	5	224.7	229.2	242.8	5.08	40041
Iberian Growth	5	62.55	62.55xd	66.96	0.0	40042
Income & Growth	5	344.5	349.4xd	370.1	4.49	40043
(Accum Units)	5	1207.0	1224.0	1296.0	4.49	40044
Intl Earnings	5	224.5	224.5xd	237.8	2.40	40045
(Accum Units)	5	350.1	350.1	370.8	2.40	40046
Intl Growth	5	117.6	119.7xd	127.5	0.17	40047
(Accum Units)	5	123.9	126.2	134.3	0.17	40048
Japan Grwth (Acc)	5	178.3	178.3	190.6	0.00	40049
Nth Amer Grwth	5	156.7	156.7xd	168.4	1.89	40050
(Accum Units)	5	187.5	187.5	201.6	1.89	40051
Preference	5	119.5	122.6	129.9	10.30	40052
(Accum Units)	5	403.1	413.9	438.4	10.30	40053
Smaller Cos	5	291.6	305.0xd	323.0	1.49	[illegible]
(Accum Units)	5	409.3	428.1	453.5	1.49	[illegible]
Smaller Cos Div	5	93.91	97.70	103.6	4.58	[illegible]
(Accum Units)	5	124.6	127.0	134.6	4.58	[illegible]
Special Sits	5	139.0	139.0	147.2	1.42	[illegible]
(Accum Units)	5	151.7	151.7	160.6	1.42	[illegible]
UK Growth	5	472.30	472.30xd	500.30	2.67	[illegible]
(Accum Units)	5	917.2	917.2	971.5	2.67	[illegible]

Allchurches Inv Mgmt Servs Ltd (1200)H
19/21 Billiter Street, London EC3M 2RY 01-528 7364

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Amity Income	5	61.13	62.42xd	66.22	3.64	40062
Amity Accum	5	63.72	65.07xd	69.03	3.64	40063
Income Builder Inc	5¼	55.09	51.28	54.55	6.26	46598

CCF Foster Braithwaite UT Mngt (1100)F
1 White Hart Yard, London SE1 1NX 01-407 5966

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
F&B Sel Intl Gwth	5½	50.58	50.58	54.54	1.38	46690

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green, W12 8SD 01-740 7070

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
UK General Tst	5½	56.55	55.55	60.48	2.23	40217
Global Tst	5½	46.92	47.45	50.75	2.01	40218
Recovery Tst	5½	49.92	49.92	55.66	1.92	40219

CIBC Unit Tst Managers plc (1200)H
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Growth Fd Acc	5	111.8	113.3	119.5	4.05	40220

CS Fund Managers Limited (1000)H
125 High Holborn, London WC1V 6PY 01-242 1148

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
CS America	5	67.60	67.00	71.91	1.05	40221
CS International	5	62.78	62.78	66.78	1.58	40222
CS Japan	5	152.7	152.7	162.4	0.21	40223
CS Portfolio Inc	5	74.17	74.17xd	78.90	1.77	40224

Canada Life Unit Tst Mgrs Ltd (1200)F
High St, Potters Bar, Herts, EN6 5BA 0707 51122

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Can Gen Dist	5	146.3	148.8	156.6	2.96	40225
Do Gen Accum	5	247.1	251.4	264.6	2.96	40226
Do Income Dist	5	96.72	98.90	104.1	5.41	40227
Do Inc Accum	5	221.6	226.6	238.5	5.41	40228
Gilt & Fxd Int	5	35.93	36.02	37.91	8.47	40229

Cannon Fund Managers Ltd (0700)H
1 Olympic Way, Wembley, HA9 0NB
01-902 8876. Dealing 0800 282621

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Growth	5½	39.20	39.20	41.92	2.42	40230
Income	5½	49.28	49.28	52.71	3.89	40231
Far East	5½	40.82	41.55	44.20	0.05	40232
North American	5½	42.07	42.75	45.46	1.58	40233
Global	5½	58.41	59.46	63.26	1.55	40234
European	5½	61.91	62.34	66.67	0.88	40235
Japan	5½	118.8	120.9xd	128.6	0.01	40236
Intl Currency Bd	5½	42.66	42.66xd	45.25	6.63	40237
Strategic Opps.	5½	54.60	54.60	58.45	1.25	46257

Capability Trust Mngrs Ltd (1200)F
Admin, 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 [illegible]1010

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
American & Gen	U	84.95	85.91xd	91.39	1.36	[illegible]
(Accum Units)	5	89.19	90.19	95.95	1.36	[illegible]
European Inc	5	62.41	62.41	66.39	0.65	[illegible]
(Accum Units)	5	63.57	63.57	67.63	0.65	41573
Far East & Gen	5	69.24	69.24	73.66	0.00	[illegible]
(Accum Units)	5	69.24	69.24	73.66	0.00	[illegible]
Glenfriars	5	269.9	269.9xd	287.1	2.49	[illegible]
(Accum Units)	5	284.0	284.0	302.1	2.49	[illegible]
Growth	5	267.5	267.5xd	284.6	2.55	[illegible]
(Accum Units)	5	416.0	416.0	442.6	2.55	[illegible]
Income & Growth	5	325.8	325.8	346.6	4.00	[illegible]
(Accum Units)	5	371.3	371.3	395.0	4.00	[illegible]
Master Portfolio	1½	8533	8533	8841	2.09	[illegible]
(Accum Units)	1½	9056	9056	9383	2.09	[illegible]
Special Sits	5	60.80	66.80	70.00	2.76	[illegible]
(Accum Units)	5	69.67	69.67	74.23	2.76	[illegible]
Exempt Fund						
High Yield	2	1020	1029	1061	4.74	46491
(Accum Units)	2	1020	1029	1061	4.74	46492

James Capel Unit Tst Mngt Ltd (1535)F
P.O. Box 552, 7 Devonshire Sq, London EC2M 4HU
01-626 0566 Dealing: 01-929 6363

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
American Index	5¼	144.5	146.3	154.8	1.54	46602
Capital	5¼	463.3	466.9xd	498.2	4.09	40238
European So Sits	5¼	71.76	73.88	78.84	1.76	40239
Far East So Sits	5¼	71.69	71.95	76.70	0.82	40240
Gold & General	5¼	71.07	71.62	76.41	4.47	40241
Income	5¼	409.2	412.7xd	440.4	4.78	40242
Intl Spec Sits	5¼	66.62	66.89	77.38	1.86	40243
Nth American	5¼	328.0	330.1	352.2	1.62	40244
European Index	5¼	119.5	120.7	127.7	1.70	46873
Japan Index	5¼	90.52	94.42	99.91		–46874

Capital House Unit Tst Mgrs (0905)H
Capital House, Festival Square, Edinburgh.
031-228 4477 Dealing 0800 833561

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
European Grth (z)	5¼	30.70	30.92	32.89	1.18	40245
Income & Grwth	5¼	20.87	20.87xd	22.20	4.97	40246
Intnl Grwth (z)	5¼	24.92	24.92	26.51	2.09	40247
Japan Grwth (z)	5¼	26.07	26.28	27.87	–	40248
Nth Amer Grwth (z)	5¼	28.00	29.08	30.93	1.14	40249
Smaller Cos	5¼	28.90	29.69	31.58	2.43	46466
UK Growth Tst	5¼	21.94	21.94	23.34	2.50	40250

Cazenove Unit Trust Mngmt Ltd (2200)F
16 Tokenhouse Yard, London EC2R 7AN 01-606 0708

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Cazenove Portfolio	5	60.12	60.33	64.53	2.62	46676
American Portfolio	5	51.30	51.56	55.15	2.00	46864
European Portfolio	5	64.29	64.61xd	69.11	1.50	46865
Japanese Portfolio	5	53.30	53.36	57.08		–46866

Chase Manhattan Fund Mgrs Ltd (1600)F
Leconfield Hse, Curzon St, London W1 01-726 7708

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
S & C Spec Sits	5	65.05	65.05	68.83		–40260

CIGNA Unit Tst Managers Ltd (1000)H
5 Trump St, London EC2V 8AR 01-796 3571

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
European Growth	5¼	77.03	77.33	82.71	1.04	40314

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new participants. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set, unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ▼ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh						031-225 1551
Australasian Gold	5	17.20	17.38	18.49	0.00	41589
Pacific Basin	5	30.82	30.82	32.78	0.40	41587
Cast Baloral Grth	5	52.58	52.58	55.93	0.10	41590
Canada Mng	4	0.9705	0.9705	1.0109	7.45	41591
Penny Share	5½	29.82	29.82	31.72	0.50	41592
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1						01-407 4404
Wellington Income	5¼	137.7	139.4xd	148.3	4.80	41590
Wellington Growth	5¼	223.5	225.4xd	239.8	1.10	41595
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW						0202 299432
Wessex UK Gwth	4½	112.6	116.7	121.5	2.92	41595
Whittingdale Unit Tst Mngmt Ltd						
2 Honey Lane, London EC2V 8BT						01-606 3192
Challenger	2½	59.38	59.38	60.95	0.27	41596
Short Dat Gilt	1¼	81.08	81.08	82.11	6.89	41597
U.S.-German Bond	1¼	0.5724	.5724	.5799	0.00	41598
Willis Financial Services Ltd (0905)F						
PO Box 515 Austin Friars, London EC2						01-588 7511
Aust Friars W'wide	5	202.1	204.8	217.8	2.42	40677
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD						01-405 8331
Capital & Equity	5	63.64	66.73	70.98	6.67	41599
European	5	78.55	78.82	83.84	0.09	46303
Far Eastern	5	62.23	69.00	73.40	0.59	46304
Growth Inc	5	84.90	88.33xd	93.96	1.44	41600
Growth Acc	5	84.98	88.40xd	94.04	1.44	46796
Income Inc	5	82.81	85.38xd	90.81	4.68	41601
Income Acc	5	82.91	85.46xd	90.91	4.67	46797
Property Share	5	53.40	53.40	56.92	1.00	41602
Smaller Co's	5	35.44	35.94xd	39.03	1.61	41603
Nth American	5	69.13	69.13	73.53	1.40	41199
International	0	51.52	51.52	55.10	1.36	41200
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY						01-588 0592
Intl Growth	5	115.07	115.07	121.13	3.37	41604
UK Growth	5	93.79	93.79	98.72	[illegible]	[illegible]

	Bid Price	Offer Price	Yield Gross	City-line
Albany Life Assurance Co Ltd—Contd.				
Intl Fxd Int Fd Acc(2)	206.8	217.6	—	41698
Fixed Int. Acc(2)	345.1	363.2	—	41694
Gtd Money Fd Acc(2)	240.3	253.1	—	41695
High Income Fd Acc(2)	120.3	126.5	—	41696
Intl Man Fd Acc(2)	459.2	483.9	—	41697
Japan Fd(2)	308.8	325.0	—	41699
UK Smlr Co's Fd Acc(2)	118.7	124.9	—	41704
Europlus Metro	120.7	127.0	—	47025
Global Metro	110.6	116.3	—	46534
Sunrise Metro	128.0	134.7	—	47026
UK Metro	112.0	117.9	—	46537
NA American Fd Acc(2)	217.8	229.2	—	41700
Pac Basin Fd Acc(2)	166.5	175.2	—	41701
Prop Fd Acc(2)	351.1	369.5	—	41702
Millennium	100.2	105.5	—	47027
Multiple Inv Acc(2)	735.8	774.4	—	41703
Pension Funds				
Brit. Blue Chip Acc(2)	156.6	164.8	—	41705
Eq Pen Fd Acc(2)	2103.3	2214.0	—	41706
Euro Fd Acc(2)	365.9	385.1	—	41707
Fixed Int. Acc.(2)	713.9	751.4	—	41708
Gt Money Pn Acc(2)	439.3	462.4	—	41709
High Interest	148.9	156.6	—	46536
High Income Fd Acc(2)	127.5	134.0	—	41710
Intl Man Fd(2)	669.8	705.0	—	41711
Jap Pen Fd Acc(2)	439.9	463.0	—	41712
UK Smlr Co's Fd Acc(2)	126.2	132.8	—	41716
Europlus Metro	134.2	141.2	—	47028
Global Metro	118.7	[illegible]	—	46538
Sunrise Metro	145.5	[illegible]	—	47029
UK Metro	120.8	[illegible]	—	46538
N Am Pn Fd Acc(2)	277.2	[illegible]	—	41713
Pac Basin Fd Acc(2)	202.6	[illegible]	—	41714
Property(2)	321.1	[illegible]	—	41715
Mkple Inv Pens Acc(2)	1509.8	[illegible]	—	41717
Broker Funds				
Prof. Pen. Fd	99.5	104.6	—	41738
YRA Strategy	127.1	133.7	—	41729
YRA Performance	109.4	115.1	—	47497
Langton Dollar (S2)	143.0	150.4	—	41720

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

Continued on next page

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Premium Life Assurance Co Ltd
37–39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	Yield Gross	City-line
American	128.0	135.0	—	43285
Building Soc. Fd.	174.0	184.0	—	43286
Balanced	290.0	306.0	—	43287
European	192.0	203.0	—	43289
G7 Managed	193.0	204.0	—	43290
Gartmore Mngd	129.0	136.0	—	43291
German	141.0	149.0	—	43292
Gilt	182.0	192.0	—	43293
Global	50.0	53.0	—	46834
High Inc.	120.0	127.0	—	43294
International Equity	202.0	213.0	—	43295
Japan	276.0	291.0	—	43296
Managed	62.0	66.0	—	43297
Property	294.0	310.8	—	43298
R. W. Imperial Gold	156.0	165.0	—	43299
UK Equity	353.8	372.0	—	43300
Pension Funds				
American	153.0	162.0	—	43301
Building Soc. Fd.	177.0	187.0	—	43302
Balanced	227.0	239.0	—	43303
European	194.0	205.0	—	43305
German	125.0	132.0	—	43308
GRL	159.0	168.0	—	43309
International Equity	148.0	156.0	—	43310
Japan	150.0	158.0	—	43311
Managed	66.0	70.0	—	43312
Property	225.0	237.0	—	43313
UK Equity	327.0	345.0	—	43314

Professional Life Assurance Co Ltd
Frobisher Hse, Nelson Gate, Southampton 0703 232325

	Bid Price	Offer Price	Yield Gross	City-line
Pension Managed Fund	96.97	102.52	—	42263
Pensions Cash Fund	00.41	84.64	—	42264

Prolific Life & Pensions Ltd
Stramongate, Kendal, Cumbria LA9 4BE 0539 733733

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
601	Treas 5pc 1986-89	99¾xd	–	8.9	15 Apr 15 Oct	1329
174	Exch 10¼pcCv '89	99[illegible]	13.65	10.4	15 Mar 15 Nov	1255
1,000	Treas 13pc 1990‡‡	99[illegible]	13.71	8.6	15 Jul 15 Jan	1300
900	Treas 2pc IL '90(84.6)	132[illegible]	9.98	19.6	25 Jul 25 Jan	2311
1,400	Exch 11pc 1990‡‡	98[illegible]	13.76	12.7	12 Aug 12 Feb	1257
1,250	Exch. 12½pc 1990	99[illegible]	14.01	16.8	22 Sep 22 Mar	1262
550	Treas. 3pc 1990	95[illegible]	11.22	2.10	8 Nov 8 May	1325
600	Treas 8¼pc 1987-90‡‡	96[illegible]	13.49	9.5	15 Dec 15 Jun	1340
955	Treas. 8pc Cv 1990‡‡	96[illegible]	13.39	9.6	16 Jul 16 Jan	4660
1,887	Treas. 10pcCv 1990	96[illegible]	13.29	18.9	25 Apr 25 Oct	1285
500	Exch 2½pc 1990	92¼	10.03	17.4	22 May 22 Nov	1270
2,200	Treas 11¼pc 1991	98[illegible]	13.06	27.6	10 Jul 10 Jan	1292
400	Funding 5¾pc '87-91‡‡	92[illegible]	11.52	1.9	5 Oct 5 Apr	1275
400	Treas. 3pc 1992	89[illegible]	10.36	6.4	13 Nov 15 May	1326
646	Treas 10pc Cv '91‡‡	95[illegible]	12.73	27.6	12 Jan 12 Jul	1286
1,550	Exch. 11pc 1991	97[illegible]	12.58	18.9	25 Apr 25 Oct	1258
1,350	Treas. 8pc 1991	91[illegible]	12.56	4.5	10 Jan 10 Dec	1336
900	Treas 12¾pc 1992‡‡	101[illegible]	12.03	15.6	22 Jul 22 Jan	1297
1,600	Treas 10pc 1992	95[illegible]	12.08	17.7	21 Aug 21 Feb	1283
1,400	Treas. 8pc 1992‡‡	91¼xd	12.06	6.9	13 Oct 13 Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	96[illegible]	11.93	2.10	7 Nov 7 May	1289
500	Treas. 3pc 1992	85[illegible]	10.14	5.5	11 Dec 11 Jun	1328
1,350	Exch. 12¼pc '92	100[illegible]	11.89	19.7	25 Feb 25 Aug	1265
1,757	Exch 13½pc 1992	104[illegible]	11.73	31.8	22 Mar 22 Sep	1266
950	Treas 8¼pc 1993	90[illegible]	11.56	12.7	18 Aug 18 Feb	–
1,850	Treas 10pc 1993‡‡	[illegible]	[illegible]	8.9	15 Oct 15 Apr	1279
1,100	Treas 12½pc 1993‡‡	103[illegible]	[illegible]	27.6	14 Jan 14 Jul	1296
600	Funding 6pc 1993‡‡	84[illegible]	[illegible]	9.8	15 Mar 15 Sep	1276
1,250	Treas 13¾pc 1993‡‡	107[illegible]	[illegible]	17.4	23 May 23 Nov	1304
1,050	Treas. 8½pc 1994	90[illegible]	[illegible]	27.6	3 Aug 3 Feb	–
600	Treas 14½pc 1994‡‡	111[illegible]	[illegible]	26.7	1 Sep 1 Mar	1307
1,100	Exch 13½pc 1994	[illegible]	[illegible]	20.9	27 Oct 27 Apr	1267
1,400	Treas. 10pc Ln. 1994‡‡	[illegible]	[illegible]	3.5	9 Dec 9 Jun	2284
1,550	Exch. 12½pc 1994	104[illegible]	[illegible]	17.7	22 Feb 22 Aug	1263

Five to Fifteen Years

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
[illegible]	Treas 9pc 1994‡‡	92[illegible]	10.97	10.4	17 May [illegible]	[illegible]
[illegible]	Treas 12pc 1995	103[illegible]	11.12	19.6	25 Jul [illegible]	[illegible]
[illegible]	Gas 3pc Gas 90-95	74[illegible]	9.06	25.9	1 Nov [illegible]	[illegible]
[illegible]	Exch. 10¼pc 1995	96¼	10.98	14.6	21 Jan [illegible]	[illegible]
[illegible]	Treas 12¾pc 1995‡‡	108[illegible]	10.87	10.4	15 May [illegible]	[illegible]
[illegible]	Treas. 14pc '96	112[illegible]	11.07	15.6	22 Jul [illegible]	[illegible]
[illegible]	Treas. 9pc 1992-96‡‡	92[illegible]	10.69	9.8	15 Sep [illegible]	[illegible]
[illegible]	Treas 15¼pc 1996‡‡	119[illegible]	10.89	27.9	3 Nov [illegible]	[illegible]
[illegible]	Exch 13¼pc 1996‡‡	110¼	10.87	10.4	15 May [illegible]	[illegible]
[illegible]	[illegible] 10pc 1996	96[illegible]	10.77	10.4	15 May [illegible]	[illegible]
[illegible]	Treas 13¼pc 1997‡‡	112	10.81	15.6	22 Jul [illegible]	[illegible]
[illegible]	Exch 10½pc 1997	98[illegible]	10.79	17.7	21 Aug 21 Feb	[illegible]
[illegible]	Treas 8¾pc 1997‡‡	90¼	10.50	24.8	1 Mar 1 Sep	[illegible]
1,000	Exch 15pc 1997	123[illegible]	10.88	20.9	27 Apr 27 Oct	1269
2,850	Exch. 9¾pc 1998	95[illegible]	10.59	12.6	19 Jul 19 Jan	1273
1,000	Treas 6¾pc 1995-98‡‡	80½xd	10.18	25.9	1 Nov 1 May	1331
1,100	Treas. 15½pc '98‡‡	127	10.70	24.8	30 Mar 30 Sep	1308
2,500	Exch. 12pc 1998	107[illegible]	10.69	13.4	[illegible] 20 Nov	1259
1,250	Treas 9½pc 1999‡‡	95[illegible]	10.30	8.6	15 Jul 15 Jan	1347
2,900	Exch. 12¼pc 1999	109[illegible]	10.66	21.8	26 Sep 26 Mar	1264
1,252	Treas. 10½pc 1999	99[illegible]	10.55	12.4	19 Nov 19 May	1288
1,548	Conversion 10¼pc 1999	98[illegible]	10.52	17.4	[illegible] 22 Nov	1242
1,200	Treas. 8½pc Ln 2000‡‡	89[illegible]	10.22	21.6	[illegible] 28 Jul	1338
1,554	Conversion 9pc 2000‡‡	92[illegible]	10.25	28.7	3 Sep 3 Mar	1244
1,817	Treas. 13pc 2000	124[illegible]	10.64	27.6	14 Jan 14 Jul	1299
1,050	Treas 10pc 2001	98[illegible]	10.29	20.7	[illegible] 26 Feb	1280
[illegible]	Treas. 14pc '98-01	117¼	[illegible]	17.4	[illegible]	[illegible]
[illegible]	[illegible] 9¾pc 2001	96[illegible]	[illegible]	4.7	10 Feb 10 Aug	[illegible]
[illegible]	Exch. 12pc '99-02	107[illegible]	[illegible]	15.6	22 Jul [illegible]	[illegible]
[illegible]	Conversion 10pc 2002	98½xd	[illegible]	4.9	11 Oct [illegible]	[illegible]
[illegible]	Treas 9¾pc 2002	97[illegible]	[illegible]	21.7	27 Feb [illegible]	[illegible]
[illegible]	Exch. 9pc 2002	92[illegible]	[illegible]	12.4	19 May [illegible]	[illegible]
[illegible]	Treas. 13¾pc 2000-03	119[illegible]	[illegible]	19.6	25 Jan [illegible]	[illegible]
[illegible]	[illegible] 10pc 2003	99[illegible]	[illegible]	2.8	8 Mar 8 Sep	[illegible]
[illegible]	Treas. 11½pc 2001-04	106[illegible]	[illegible]	14.8	19 Sep 19 Mar	[illegible]
[illegible]	Treas. 10pc 2004	100[illegible]	[illegible]	11.4	18 Nov [illegible]	[illegible]
[illegible]	Funding 3½pc '99-04	56[illegible]	[illegible]	29.6	14 Jan [illegible]	[illegible]

BRITISH FUNDS—Contd

Over Fifteen Years

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
1,362	Conversion 9½pc 2004	97[illegible]xd	[illegible]	18.9	[illegible] Apr 25 Oct	[illegible]
1,881	Conversion 9½pc 2005	97[illegible]xd	[illegible]	11.9	18 Oct 18 Apr	[illegible]
1,050	Exch. 10½pc 2005	105[illegible]	[illegible]	14.8	20 Mar 20 Sep	[illegible]
2,200	Treas. 12½pc 2003-05	118[illegible]	[illegible]	14.4	[illegible]	[illegible]
1,800	Treas. 8pc 2002-06‡‡	85[illegible]	[illegible]	1.9	[illegible] 5 Oct	[illegible]
702	Conversion 9¾pc 2006	100[illegible]	9.7[illegible]	10.4	[illegible]	[illegible]
3,150	Treas. 11¾pc 2003-07	112[illegible]	[illegible]	15.6	[illegible]	[illegible]
1,446	Treas 8½pc 2007‡‡	90[illegible]	[illegible]	9.6	[illegible]	[illegible]
1,250	Treas. 13½pc '04-08	126[illegible]	[illegible]	21.8	[illegible]	[illegible]
1,800	Treas. 9pc 2008‡‡	95[illegible]xd	[illegible]	6.9	[illegible]	[illegible]
1,000	Treas 8pc 2009	86[illegible]	[illegible]	21.8	[illegible] 25 Sep	1336
369	Conv 9pc Ln 2011‡‡	95[illegible]	[illegible]	29.6	[illegible] 12 Jul	[illegible]
1,000	Treas. 5½pc 2008-12‡‡	64[illegible]	9.2[illegible]	4.8	10 Mar [illegible]	[illegible]
700	Treas. 7¾pc 2012-15‡‡	83[illegible]	9.39	19.6	26 Jul [illegible]	[illegible]
1,000	Exch. 12pc '13-'17	123[illegible]	9.45	8.5	12 Jun 12 Dec	[illegible]

Undated

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
359	Consols 4pc	41[illegible]	–	26.6	1 Feb 1 Aug	1239
1,909	War Loan 3½pc‡‡	37	–	25.4	1 Jun 1 Dec	1352
140	Conv. 3½pc '61 Aft	62[illegible]	–	25.8	1 Apr 1 Oct	1243
56	Treas. 3pc '66 Aft	33[illegible]	–	1.9	5 Apr 5 Oct	1324
276	Consols 2½pc	26[illegible]	–	1.9	5 Ja Ap Jul O	1238
475	Treas. 2½pc	25[illegible]	–	25.8	1 Apr 1 Oct	1315

Index-Linked

Amount £m	Stock (b)	Price £	Red. Yld. **	Last xd	Interest Due	City-line
650	Tr. 2pc '92‡‡(97.8)	116[illegible]	3.93	17.8	23 Mar 23 Sep	1312
400	Do. 2 '94 (102.9)	102[illegible]	3.89	10.4	16 Nov 16 May	–
1,000	Do. 2pc '96(67.9)	151[illegible]	3.46	10.8	16 Mar 16 Sep	1313
900	Do 2½pc '01(78.3)	127[illegible]	3.67	18.8	24 Mar 24 Sep	1316
800	Do. 2½pc '03(78.8)	124[illegible]	3.72	13.4	20 Nov 20 May	1317
1,200	Do. 2pc '06(69.5)	127[illegible]	3.71	12.6	19 Jan 19 Jul	1314
950	Do. 2½pc '09(78.8)	119[illegible]	3.71	13.4	20 Nov 20 May	1318
1,350	Do. 2½pc '11(74.6)	124[illegible]	3.69	17.7	23 Feb 23 Aug	1319
1,100	Do. 2½pc '13(89.2)	103[illegible]	3.66	10.7	16 Feb 16 Aug	1320
1,700	Do. 2½pc '16(81.6)	111[illegible]	3.62	19.6	26 Jan 26 Jul	1321
1,400	Do. 2½pc '20(83.0)	109¼xd	3.56	11.9	16 Oct 16 Apr	1322
900	Do. 2½pc '24‡‡(97.7)	92[illegible]	3.51	12.6	17 Jan 17 Jul	1323

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

	Bid Price	Offer Price	Yield Gross	City-line
Hill Samuel Investment Services Intl (z)				
Crossbow (Far East)	SF718.95	20.17	–	45256
CSF (Int. Man)	SF739.30	41.82	–	45257
ITF Fd (Technology)	$20.79	21.99	–	45262
O'seas Fd (N Amer)	$51.37	54.07	–	45263
Huntington World Investors Fds Ltd				
Managed Currency	$14.15	14.33	7.71	45304
Indosuez Asia Invest Services Ltd				
Asian Growth Fund	$34.72		–	45295

The New Zealand Fund

The NZ Fund | 59.17

Newport International Management

Nikko Luxembourg S.A.

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
31,418.2	Gen. Elect. 63c	36½	$1.64	2.8	7.6	Ja Ap Je Oc	2675
—	General Host Corp $1	491p	30c	3.9	13.12	—	—
3,485.5	Gillette $1	29⅞	96c	2.1	27.1	Mar Jun S O	2695
255.8	Gt American Bank Bk $1	780p	20c	1.6	28.10	Fb My Ag Nv	—
842.7	Greyhound $1½	21¼	$1.32	3.8	30.5	Ja Ap Jy Oc	2778
752.6	Hasbro Inc 50c	14¼	16c	0.7	1.8	Je No Au My	—
2,284.5	Honeywell $1½	52¼xd	$2.10	2.5	22.8	Mar Jun S O	2919
2,551.0	Houston Inds.	21⅞	$2.96	8.8	10.11	Mr Ju Se De	—
40,002.5	IBM Corpn $1¼	67xd	$4.84	4.6	5.5	Mar Jun S D	2986
1.17	Image Storage/R.Sys.Inc.	55p	—	—	—	—	2961
1,596.1	Ingersoll-Rand $2	30¼xd	$1.20	2.5	16.5	Mar Jun S D	2979
2,009.2	Lockheed Crpn. $1	30⅝xd	$1.80	3.7	15.2	Mar Jun S D	—
321.7	Lone Star Inds $1	19½xd	$1.90	6.2	30.8	My Se N Mar	3216
806.6	Louisiana Land 15c	26xd	$1.00	2.4	29.8	Mar Jun S O	3222
792.6	Lowe's 50c	20	48c	1.5	11.7	Jan Ap Jly Oc	—
1,302.5	Manuf. Hanover $1	27½	$3.28	7.7	26.6	Jan Ap Jly Oc	3279
2,099.5	Merrill Lynch $1	19⅞	$1.00	3.2	31.10	Feb My Au N	3351
600.6	Molex Inc.	2367p	3.2c	—	—	—	3397
5,247.6	Morgan (JP) $2½	29¼xd	$1.66	3.6	21.12	Jan Ap Jly D	3418
27,137.1	Morris (Phillip)	109	$4.50	2.6	—	—	5161
11,035.9	NYNEX $1	51½	$4.36	5.4	27.6	F May Au N	4740
3.65	N'wide Legal Serv.	27p	—	—	—	—	5121
395.9	PHH Corp.	25⅞	$1.12	3.0	4.4	Je Ap Jy Oct	—
—	Pacific Agr.	212p	—	—	—	—	—
1,782.9	Pacificorp $3¼	25⅞xd	$2.76	6.5	18.7	Feb My Ag Nv	—
12,109.2	Pacific Telesis 10c	28¼	$1.88	4.2	12.85	Fe My Au No	—
823.3	Pall Corp. 25c	22¼	48c	1.4	24.1	Fb My Au No	—
2,093.2	Pennzoil 83 1/3c	51xd	$3.00	3.7	29.8	Mar Jun S O	3630
3,105.9	Quaker Oats $5	38⅞	$1.20	2.0	20.6	Jly Oc Jan Apr	3738
746.9	Rep NY Corpn $5	29⅛xd	$1.28	2.7	12.9	Jan Apr Jly O	3814
4,401.4	Rockwell Intl. $1	15¼xd	78c	3.3	9.8	Mr Ju Se De	3847
7,821.8	Sears, Roebuck 75c	27⅞	$2.00	4.7	23.8	Jan Apr Jly Oc	5191
10,042.7	Southwestern Bell $1	36¼	$2.60	4.6	5.7	Fb My Ag No	—
2,674.7	Sun Co. Inc. $1	25¼xd	$1.80	4.5	7.8	Mr Ju Se De	4135

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES – Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES – Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

Market Cap £m	Stock	Price	Net	Cvr	Y'ld Gr's	P/E	Dividends Paid	City Line
3.45	Stats Hldgs. 5p	7½	–	–	–	–	–	4625
2.85	Swanyard Studios 1p	2	–	–	–	–	–	4666
0.68	Systems Connection 2½p	5½	–	–	–	–	–	5152
10.2	Tavern Leis. 20p	48	–	–	–	–	–	4867
9.86	Tomorrows Leisure 20p	[illegible]	–	–	–	–	–	[illegible]
	For Tullow Oil see Oils & Gas							
3.02	UPL Group 10p	75	2.75	4.9	22.5	–	Dec. July	4362
7.44	Unit Group	144	5.0	4.6	3.7	–	Jan Aug	4357
7.92	Video Magic Leis. 1p	90	W2.0	3.0	–	–	Jan July	5071
6.85	Vista Ents 5p	7½	–	–	–	–	–	3994
17.1	Vizcaya Hldgs 5p	32	–	–	–	–	–	4193
59.8	Whitegate Leisure 20p	39	–	–	–	–	–	1105
1.81	Do. Wrrnts	27	–	–	–	–	–	1116
29.1	Wilton Group 1p	6½	–	–	–	–	–	3628

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	96	.....	Arnotts	450	+30
Craig & Rose £1 γ	830	.....	Carrol (P.J.) γ	152	.....
Finlay Pkg. 5p γ	76xd	–2	Hall (R. & H.)	178	.....
Holt (Jos) 25p γ	1353	.....	Heiton Hldgs. γ	92	.....

IRISH

Cap. 8½% Ln. 1991	£97¼	.....	For Irish Ropes see IRG		
9pc Cap Ln. 1996	£98	–¼	IRG	225xd	+10
Fin. 13% 97/02	£118	.....	United Drug	140	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	38
Amstrad	11
BAT	88
BOC Grp.	42
BSR	6½
BTR	32
Barclays	42
Blue Circle	24
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	46
Charter Cons.	48
Comm Union	32
Courtaulds	38
FKI	14
FNFC	22
Gen Accident	85
GEC	28
Glaxo	118
Grand Met	48
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd.	60
ICI	100
Jaguar	28
Ladbroke	28
Legal & Gen.	26
Lex Service	33
Lloyds Bank	29
Lucas Inds.	58
Marks & Spencer	19
Midland Bk.	30
Morgan Grenfell	24
Nat West Bk.	25
P & O Dfd.	55
Plessey	22
Polly Peck	25
Racal Elect.	20
RHM	42
Rank Org Ord	80
Reed Intnl	34
STC	32
Sears	10
Smithkline Bchm. A	50
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	10
Wellcome	42

Property

Brit Land	32
Land Securities	52
MEPC	50
Rendsworth	28

Oils

Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines

Cons Gold	150
Lonrho	38
RTZ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

POUND SPOT- FORWARD AGAINST THE POUND

Oct.6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5950 - 1.6150	1.6020 - 1.6030	0.81-0.78cpm	5.95	2.30-2.27pm	5.70
Canada	1.8835 - 1.8925	1.8895 - 1.8905	0.54-0.46cpm	3.17	1.28-1.17pm	2.59
Netherlands	3.41¼ - 3.43¼	3.41¼ - 3.42¼	2⅛-1⅞cpm	7.01	5⅝-5⅜pm	6.65
Belgium	63.55 - 63.85	63.70 - 63.80	32-30cpm	5.84	90-86pm	5.52
Denmark	11.77¼ - 11.82½	11.81 - 11.82	4⅝-4¼orepm	4.51	12⅞-11⅜pm	4.19
Ireland	1.1350 - 1.1430	1.1390 - 1.1400	0.50-0.45ppm	5.00	1.25-1.15pm	4.21
W. Germany	3.02½ - 3.03¼	3.02¾ - 3.03¾	2⅛-1¾pfpm	7.67	5⅛-5pm	6.68
Portugal	255.25 - 257.60	256.60 - 257.60	31-13cpm	1.05	44-95dis	-1.08
Spain	191.15 - 192.80	191.90 - 192.20	15-6cpm	0.66	34-24pm	0.60
Italy	2213¾ - 2221¼	2217¼ - 2218¼	6-4lirepm	2.71	15-13pm	2.53
Norway	11.15¼ - 11.19¾	11.17¼ - 11.18¼	3½-3¼orepm	3.55	9⅝-9¼pm	2.82
France	10.25¼ - 10.31	10.27½ - 10.28½	4½-4⅛cpm	5.18	12½-12¼pm	4.79
Sweden	10.36¼ - 10.39¼	10.38¼ - 10.39¼	2⅜-2⅝orepm	3.10	7⅞-7⅜pm	2.94
Japan	228¼ - 229¾	228¼ - 229¼	1⅞-1¾ypm	9.51	5-4⅞pm	8.63
Austria	21.28 - 21.37	21.34 - 21.37	11⅛-10grpm	6.01	14⅛-30pm	6.01
Switzerland	2.63 - 2.64½	2.63 - 2.64	1⅝-1½cpm	7.12	4⅞-4½pm	6.93
ECU	1.4675 - 1.4715	1.4705 - 1.4715	0.57-0.54cpm	4.53	1.62-1.57pm	4.34

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 63.80-63.90 Six-month forward dollar 4.48-4.43cpm 12 months 8.07-7.97cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Oct.6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5950 - 1.6150	1.6020 - 1.6030	0.81-0.78cpm	5.95	2.30-2.27pm	5.70
Ireland†	1.4025 - 1.4170	1.4090 - 1.4100	0.18-0.13cpm	1.31	0.63-0.53pm	1.64
Canada	1.1740 - 1.1790	1.1760 - 1.1770	0.30-0.33cdis	-3.22	0.87-0.92dis	-3.05
Netherlands	2.1200 - 2.1460	2.1355 - 2.1365	0.21-0.19cpm	1.13	0.57-0.53pm	1.03
Belgium	39.40 - 39.95	39.75 - 39.85	0.50pm-1.50cdis	-0.15	par-3.00dis	-0.15
Denmark	7.32 - 7.40½	7.37 - 7.37½	0.88-1.02oredis	-1.56	2.95-3.00dis	-1.52
W. Germany	1.8760 - 1.9010	1.8910 - 1.8920	0.18-0.16pfpm	1.08	0.50-0.47pm	1.03
Portugal	159.20 - 160.40	160.25 - 160.35	62-72cdis	-5.03	240-265dis	-6.39
Spain	118.90 - 120.40	119.85 - 119.95	50-55cdis	-5.29	148-158dis	-5.13
Italy	1374¼ - 1389¼	1383¼ - 1384¼	3.60-4.40liredis	-3.48	10.00-12.50dis	-3.27
Norway	6.94 - 7.00½	6.97½ - 6.98	1.20-1.45oredis	-2.29	3.75-4.09dis	-2.26
France	6.36½ - 6.43¾	6.41¼ - 6.41¾	0.51-0.58cdis	-1.03	1.50-1.65dis	-0.99
Sweden	6.44¼ - 6.49¾	6.48 - 6.48½	1.40-1.55oredis	-2.75	4.25-4.53dis	-2.72
Japan	141.80 - 143.65	142.75 - 142.85	0.42-0.40ypm	3.46	1.11-1.08pm	3.08
Austria	13.22½ - 13.35¾	13.25½ - 13.26	0.50-pargropm	0.25	1.50-parpm	0.25
Switzerland	1.6310 - 1.6565	1.6445 - 1.6455	0.22-0.19cpm	1.50	0.61-0.57pm	1.44
ECU†	1.0890 - 1.0985	1.0890 - 1.0900	0.12-0.11cpm	1.27	0.39-0.37pm	1.40

Commercial rates taken towards the end of London trading.† UK,Ireland and the ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.80-39.90.

MONEY MARKETS

Germany helps by taking the blame

THURSDAY'S rise in UK bank base rates was an embarrassment for Mr Nigel Lawson, the UK Chancellor, coming as it did so close to tomorrow's opening of the Conservative Party annual conference, and it was obviously manna from heaven for Labour Party leaders, as their conference drew to a close.

UK clearing bank base lending rate 15 per cent from October 5

The base rate move appeared to have been forced on the UK by a West German-led increase in European interest rates, but some City analysts believe the situation would have been even worse for Mr Lawson if the Bundesbank had not increase its discount and Lombard rates by a full point.

When the Bank of England declined to accept any bids at the weekly Treasury bill tender a week ago last Friday, some market observers believed even at that point there was little alternative but for a rise in base rates.

Market confidence in the existing 14 per cent rate structure had effectively been shattered. It must be questionable whether the Bank of England could have sold a total of £800m in bills to the market last Friday at rates that did not signal higher interest rates.

Sterling was very shaky before the Bundesbank council met, falling through a strong chart support point of DM3.0225, and the currency may not have held above DM3.00 if German rates had been increased by only a ½ point.

In the event, the Bundesbank went for the full point, taking the blame on itself for any corresponding rate rises. *Sterling has held steady at* around DM3.03 since the move, helping to restore confidence. Higher rates also meant the Bank of England had no problem selling Friday's Treasury bills.

EURO-CURRENCY INTEREST RATES

Oct.6	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞-14⅞	14⅞-14⅞	15-14¾	14⅞-14¾	14¾-14⅝	14⅝-14½
US Dollar	8⅞-8⅝	9-8¾	8⅞-8¾	8⅞-8⅝	8⅞-8⅝	8¾-8⅝
Can. Dollar	11⅞-11⅝	11⅞-11⅝	12⅛-11⅞	12⅛-11⅞	12⅛-11⅞	12⅛-11⅞
D. Guilder	7⅝-7⅜	7⅝-7⅜	7⅞-7⅝	7⅞-7⅞	8-7⅞	8-7⅞
Sw. Franc	7⅝-7⅛	7⅜-7⅛	7⅞-7⅝	7⅞-7⅝	7⅞-7⅝	7⅞-7⅝
Deutschmark	8-7⅞	7⅞-7⅞	7⅞-7⅝	7⅞-7⅝	7⅞-7⅞	7⅞-7⅞
Fr. Franc	9⅞-9⅝	9⅞-9⅝	9⅞-9⅝	9⅝-9⅜	9⅝-9⅜	9⅝-9⅜
Italian Lire	12-10	12-11	12⅛-11⅞	12⅛-11⅞	12⅛-12⅛	12⅛-12⅛
B. Fr. (Fin)	9⅛-8⅞	9⅜-9⅛	9⅜-9⅜	9⅜-9⅛	9⅜-9⅛	9⅝-9⅜
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 8⅞-8⅝ per cent; three years 9-8⅞ per cent; four years 9⅛-8⅞ per cent; five years 9⅛-9 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.6	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.603	3.030	228.8	10.28	2.635	3.423	2218	1.890	63.75
$	0.624	1	1.890	142.7	6.413	1.644	2.135	1384	1.179	39.77
DM	0.330	0.529	1	75.51	3.393	0.870	1.130	732.0	0.624	21.04
YEN	4.371	7.006	13.24	1000.	44.93	11.52	14.96	9694	8.260	278.6
F Fr.	0.973	1.559	2.947	222.6	10.	2.563	3.330	2158	1.839	62.01
S Fr.	0.380	0.608	1.150	86.83	3.901	1	1.299	841.7	0.717	24.19
H Fl.	0.292	0.468	0.885	66.84	3.003	0.770	1	648.0	0.552	18.62
Lira	0.451	0.723	1.366	103.2	4.635	1.188	1.543	1000.	0.852	28.74
C $	0.529	0.848	1.603	121.1	5.439	1.394	1.811	1174	1	33.73
B Fr.	1.569	2.515	4.753	358.9	16.13	4.133	5.369	3479	2.965	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.6) 3 months US dollars		6 months US Dollars	
bid 8⅞	offer 9⅛	bid 8⅞	offer 8⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

4pm (Oct. 6)

		Treasury Bills and Bonds			
Prime rate	10½	One month	7.44	Three year	8.11
Broker loan rate	10	Two month	7.97	Four year	8.08
Fed.funds	8⅞	Three month	7.80	Five year	8.04
Fed.funds at intervention	8⅞	Six month	8.06	Seven year	8.08
		One year	8.07	10-year	8.04
		Two year	8.09	30-year	8.02

Oct.6	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.75-7.95	7.60-7.80	7.65-7.85	7.80-8.00	7.80-8.00	8.00
Paris	9½-9⅝	9⅞-9⅞	9⅜-9⅞	9⅜-9⅞	9⅜-9⅞	9.50
Zurich	6⅝-6⅝	7⅛-7⅝	-	7⅛-7⅝	-	-
Amsterdam	8.05-8.15	7.98-8.08		7.98-8.08	-	-
Tokyo	5⅝-5⅞	5⅞-5⅞		5⅞-5⅞		
Milan	12⅝-12⅞	12⅝-12⅞		12½-13	-	
Brussels	4.15	9⅛-9⅛	-	9⅜-9⅞	-	
Dublin	10⅛-10⅜	10½-10⅝	10⅝-10⅞	10⅝-11	10⅞-11⅛	

LONDON MONEY RATES

Oct.6	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15½	15	15	15	14⅞	14⅞
Interbank Bid	14½	14⅞	14⅞	14⅞	14⅞	14⅞
Sterling CDs.	-	-	14⅞	14⅞	14¾	14⅝
Local Authority Deps.	15⅛	15	14⅞	14⅞	14⅞	14⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15	14⅞	14½	14½	-	-
Company Deposits	-	-	15	15⅛	15⅛	14⅞
Finance House Deposits	-	-	14⅞	15	14⅞	14⅝
Treasury Bills (Buy)	-	-	14⅞	14⅞	-	-
Bank Bills (Buy)			14¾	14¾	13⅞	-
Fine Trade Bills (Buy)			15⅛	15⅛	14⅝	-
Dollar CDs			8.83	8.83	8.72	8.67
SDR Linked Dep Offer			8⅝	8⅝	8⅝	8⅝
SDR Linked Dep Bid		-	8½	8½	8½	8½
ECU Linked Dep Offer			10	10⅛	10⅛	10⅛
ECU Linked Dep Bid	-	-	9⅞	10⅛	10⅛	10⅛

Treasury Bills (sell); one-month 14⅞ per cent; three months 14⅞ per cent; Bank Bills (sell): one-month 14⅝ per cent; three months 14¼ per cent; Treasury Bills; Average tender rate of discount 14.3757 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 29, 1989. Agreed rates for period October 25 to November 25, 1989, Scheme I: 14.82 p.c., Schemes II & III: 15.27 p.c. Reference rate for period Sept 1,1989 to Sept 29, 1989, Scheme IV&V: 14.018 p.c.Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from October 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 12 per cent; Under £100,000 10½ per cent from May 25,1989, Deposits withdrawn for cash 5 per cent.

BANK OF ENGLAND TREASURY BILL TENDER

	Oct.6	Sep.29		Oct.6	Sep.29
Bills on offer	£500m	-	Top accepted rate of discount	14.3995%	-
Total of applications	£1355m		Average rate of discount	14.3757%	-
Total allocated	£500m		Average yield	14.9101%	-
Minimum accepted bid	£96.410		Amount on offer at next tender	£500m	£500m
Allotment at minimum level	57%		Minimum accepted bid 182 days	£93.150	-

WEEKLY CHANGE IN WORLD INTEREST RATES

	Oct.6	change		Oct.6	change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

£ IN NEW YORK

Oct.6	Close	Previous Close
£ Spot	1.6045-1.6055	1.6120-1.6130
1 month	0.80-0.78pm	0.79-0.78pm
3 months	2.32-2.29pm	2.28-2.26pm
12 months	8.10-8.00pm	7.83-7.73pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.6	Previous
8.30 am	91.3	90.8
9.00 am	91.3	90.8
10.00 am	91.4	90.8
11.00 am	91.4	90.8
Noon	91.5	90.8
1.00 pm	91.4	90.8
2.00 pm	91.4	90.8
3.00 pm	91.3	91.6
4.00 pm	91.4	91.6

CURRENCY MOVEMENTS

Oct.6	Bank of England Index	Morgan Guaranty Changes %
Sterling	91.4	N/A
U.S. Dollar	70.3	N/A
Canadian Dollar	104.9	N/A
Austrian Schilling	107.2	N/A
Belgian Franc	106.1	N/A
Danish Kroner	103.9	N/A
Deutsche Mark	113.9	N/A
Swiss Franc	107.1	N/A
Guilder	110.9	N/A
French Franc	100.1	N/A
Lira	98.5	N/A
Yen	157.6	N/A

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) *Rates are for Oct.5

CURRENCY RATES

Oct.6	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

§ Sterling quoted in terms of SDR,and ECU per £. † European Commission Calculations. * All SDR rates are for Oct.5

OTHER CURRENCIES

Oct.6	£	$
[illegible]	[illegible]	[illegible]

*Selling rate

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of stocks per grouping	FRIDAY OCTOBER 6 1989: US Dollar Index	% change since Dec.30 '88	Pound Sterling Index	Local Currency Index	% change local currency since Dec.30 '88	Gross Div. Yield	THURSDAY OCTOBER 5 1989: US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX: 1989 High	1989 Low	Year ago (approx)
Australia (85)	160.33	+11.0	148.33	136.12	+20.9	4.85	158.93	146.36	135.94	160.33	128.28	139.13
Austria (19)	167.03	+74.1	154.58	163.51	+84.5	1.50	166.23	153.08	162.24	167.03	92.84	88.41
Belgium (63)	141.99	+5.1	131.37	139.54	+12.1	3.96	142.57	132.90	139.96	144.47	125.58	123.23
Canada (122)	154.03	+22.7	142.51	131.22	+20.9	3.13	153.99	141.71	130.94	154.03	124.67	123.63
Denmark (38)	200.13	+17.5	185.16	200.68	+26.2	1.58	199.64	183.64	199.57	219.89	165.36	133.67
Finland (26)	125.63	-4.0	116.23	113.00	-1.2	2.46	124.96	115.09	111.69	133.16	112.12	114.12
France (122)	135.10	+20.9	125.00	139.67	+28.0	2.88	136.22	127.29	138.55	136.67	112.57	100.36
West Germany (97)	103.08	+17.2	95.36	101.34	+24.9	2.02	102.50	94.39	100.48	103.08	79.59	80.32
Hong Kong (48)	119.47	+6.6	110.53	119.70	+6.8	4.72	118.44	109.07	118.66	140.33	86.41	101.85
Ireland (17)	160.70	+21.9	148.67	160.05	+30.2	2.78	162.33	149.49	161.19	166.69	125.00	135.26
Italy (97)	91.57	+7.6	84.72	94.65	+14.0	2.41	92.32	85.01	95.16	96.73	74.67	78.35
Japan (455)	183.30	-4.3	169.59	168.46	+8.4	0.48	185.27	170.60	168.65	200.11	164.22	168.29
Malaysia (36)	206.20	+43.7	190.77	213.98	+42.9	2.47	207.77	191.32	215.13	207.77	143.35	133.92
Mexico (13)	318.47	+95.5	282.79	896.58	+122.0	0.56	312.52	287.79	888.70	321.99	153.32	154.27
Netherland (43)	131.50	+17.0	121.67	128.30	+24.8	4.14	131.24	120.85	127.46	131.51	110.88	103.74
New Zealand (19)	83.40	+23.4	77.16	75.28	+32.1	4.56	82.11	75.61	74.97	88.16	62.64	70.61
Norway (24)	184.74	+33.0	170.92	174.98	+41.3	1.46	184.00	169.44	174.07	189.39	139.92	144.76
Singapore (26)	166.50	+33.1	154.04	161.04	+34.8	1.54	166.00	152.87	149.97	170.62	124.57	118.21
South Africa (60)	157.73	+35.0	145.93	132.10	+34.5	4.34	157.74	145.26	134.43	160.24	115.35	108.95
Spain (43)	165.10	+11.3	152.74	149.98	+17.7	3.46	165.67	152.58	150.36	166.75	143.14	141.12
Sweden (35)	182.04	+25.9	168.42	175.09	+33.2	1.96	182.30	167.88	174.48	188.94	136.45	123.65
Switzerland (64)	91.93	+17.7	85.05	93.75	+26.9	2.01	92.01	84.73	93.32	94.18	67.81	78.51
United Kingdom (306)	149.85	+11.8	138.66	138.66	+25.0	4.37	150.93	138.99	138.99	158.88	128.41	135.69
USA (547)	145.60	+29.9	134.86	145.60	+29.9	3.15	145.14	133.66	145.14	145.90	112.13	113.53
Europe (996)	130.65	+13.9	120.87	125.25	+24.6	3.36	130.92	120.56	125.01	132.95	112.63	107.21
Nordic (121)	168.22	+20.5	155.63	157.52	+27.8	1.61	168.07	154.77	156.92	178.58	137.95	115.68
Pacific Basin (699)	179.99	-3.4	166.52	162.82	+9.6	0.73	181.71	167.33	163.57	194.72	160.44	158.21
Euro — Pacific (1695)	160.38	+1.7	147.92	147.32	+14.1	1.82	161.44	148.73	148.06	166.98	141.56	136.04
North America (669)	146.28	+28.5	135.34	144.98	+28.4	3.15	145.56	134.04	144.26	146.28	112.79	114.06
Europe Ex. UK (690)	117.86	+16.1	109.13	116.84	+23.9	2.64	117.78	108.46	116.27	118.18	99.69	92.62
Pacific Ex. Japan (214)	139.98	+12.4	129.51	125.36	+17.5	4.50	138.85	127.86	124.69	139.98	111.93	118.28
World Ex. US (1860)	160.23	+2.6	148.24	147.08	+14.6	1.98	161.31	148.54	147.61	166.35	141.49	135.34
World Ex. UK (2101)	154.44	+10.2	142.88	146.88	+18.4	2.15	154.80	142.55	147.47	158.04	136.95	123.44
World Ex. So. Af. (2347)	155.99	+10.2	142.47	146.88	+18.9	2.15	155.42	142.20	146.75	155.92	136.67	126.92
World Ex. Japan (1952)	140.43	+22.4	129.93	137.21	+26.8	3.29	140.08	128.99	136.71	140.43	114.51	111.76
The World Index (2407)	154.01	+10.3	142.49	146.56	+18.9	2.18	154.44	142.22	146.68	155.89	136.66	126.80

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

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CONSTITUENT CHANGES: Deletions 5/10/89:Falconbridge(Canada) and Squibb(US).Name change 6/10/89:Bristol Myers to Bristol Myers Squibb(US).

EUROPEAN OPTIONS EXCHANGE

Series			Vol	Last	Vol	Last	Vol	Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS : 47,115

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	15	City Merchants Bank	15	Mount Banking	15
Adam & Company	14	Clydesdale Bank	15	Nat Bk. of Kuwait	15
Allied Trust Bank	14	Comm.Bk.N.East	15	NatWestminster	15
Allied Irish Bank	15	Co-operative Bank	*14	Northern Bank Ltd	14
● Henry Ansbacher	15	Coutts & Co	15	Norwich Gen. Trust	15
Associates Cap Corp	14	Cyprus Popular Bk	15	PRIVATbanken Limited	15
Authority Bank	15	Dunbar Bank PLC	15	Provincial Bank PLC	16
● B & C Merchant Bank	15	Duncan Lawrie	15	R. Raphael & Sons	15
Bank of Baroda	14	Equatorial Bank plc	15	Roxburghe G'rantee	15½
Banco Bilbao Vizcaya	15	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
Bank Hapoalim	15	Financial & Gen. Bank	14	Royal Trust Bank	15
Bank Credit & Comm	14	First National Bank Plc.	16	● Smith & Williamson Secs.	15
Bank of Cyprus	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank of Ireland	15	Robert Fraser & Ptnrs.	15½	TSB	14
Bank of India	15	Girobank	15	United Bk of Kuwait	15
Bank of Scotland	15	● Guinness Mahon	15	United Mizrahi Bank	15
Banque Belge Ltd	14	HFC Bank plc	15	Unity Trust Bank Plc	14
Barclays Bank	15	● Hambros Bank	15	Western Trust	15
Benchmark Bank PLC	15	Hampshire Trust Plc	14½	Westpac Bank Corp.	15
Brit Bk of Mid East	15	Heritable & Gen Inv Bnk.	14	Whiteaway Laidlaw	15
● Brown Shipley	15	● Hill Samuel	§15	Yorkshire Bank	15
Business Mtge Bank	14½	C. Hoare & Co.	15		
Cl. Bank Nederland	14	Hongkong & Shangh	15		
● Charterhouse Bank	14	● Leopold Joseph & Sons	15		
Citibank NA	15	Lloyds Bank	15		
		McDonnell Douglas Bnk	14		
		Meghraj Bank Ltd	15		
		Midland Bank	15		

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JOTTER PAD

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

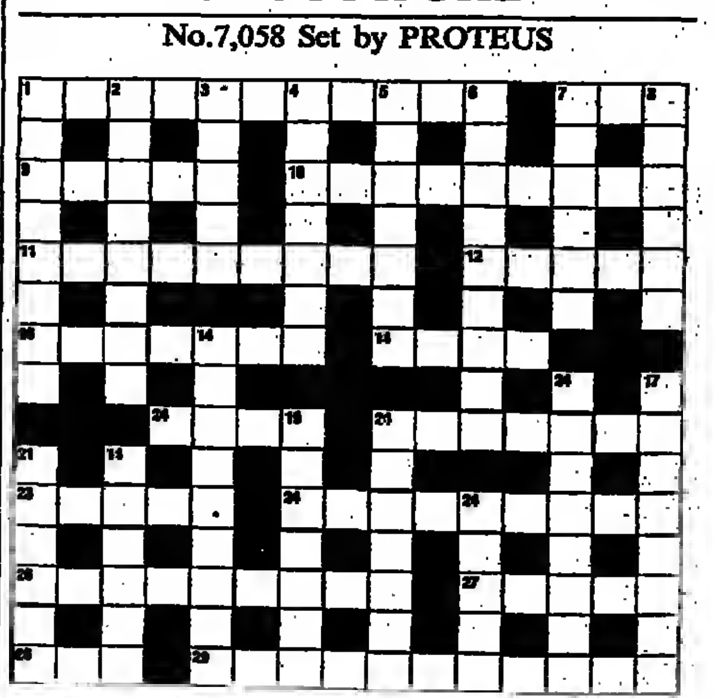
RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

CROSSWORD

No.7,058 Set by PROTEUS



ACROSS

1 Provide a loan to furnish room (11)
7 Go one better in getting international honour (8)
9 Spoil negative in police precinct (5)
10 Attendant admitting setting fire to vicarage (9)
11 Crosses madman in Tess novel (9)
12 Absolutely correct to enforce payment (5)
13 In recent unusual case one person of allure (7)
15 Legal right sounds a bit thin (4)
18 Stake in Mexican territory (4)
20 A sudden move by oriental goddess (7)
23 Tree planted by the French at Lincoln? (5)
24 Put out lie about team in trouble (9)
26 Capital gear chief has to order? (4-5)
27 Right companion coming before mother (5)
28 Some extra-terrestrial desert (3)
29 Art action that is opposed to reason (11)

DOWN

1 Confessed to having let in Edward? (8)
2 Diplomacy in Conservative meetings (8)
3 Combine with former German section (5)
4 One not in favour of work-model (7)
5 Fluorine from sea-floor making potential pollutant (7)
6 One temple devoted to private escapism (9)
7 A tax on credit for neckwear (6)
8 Considerable public relations artist (6)
14 Cheat soft rival (9)
16 Best drink for fattening meal (5,3)
17 Repeat for listeners in here perhaps (8)
19 First principle of proper medium (7)
20 South American city when about to receive Italian poet (7)
21 Assemble article about fish (6)
22 Meal is about over (6)
25 The uneven feet of William Bird (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday October 21.

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · AUSTRALIA · HONG KONG · SINGAPORE · JAPAN

[illegible]

CANADA

TORONTO
Closing prices October 6

[illegible]

MONTREAL
Closing prices October 6

[illegible]

Total Sales 7,288,040 shares.

INDICES

NEW YORK

DOW JONES	Oct 6	Oct 5	Oct 4	Oct 3	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2785.52	2773.56	2771.09	2754.56	2785.52 (6/10)	2144.64 (3/1)	2785.52 (6/10/89)	41.22 (2/7/32)
Home Bonds	92.59	92.51	92.59	92.45	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1504.62	1498.76	1467.11	1459.28	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	218.69	218.37	217.68	217.56	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2808.13 (2797.11) Low 2766.58 (2747.15)

STANDARD AND POOR'S

	Oct 6	Oct 5	Oct 4	Oct 3	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	358.76	356.97	356.94	354.71	358.76 (6/10)	275.31 (3/1)	358.76 (6/10/89)	4.40 (1/6/32)
Industrials	409.22	406.98	407.04	404.44	409.22 (6/10)	318.66 (3/1)	409.22 (6/10/89)	3.62 (21/6/32)
Financial	35.16	35.09	35.18	35.00	35.18 (4/10)	24.30 (3/1)	35.18 (4/10/89)	8.64 (1/10/74)
NYSE Composite	198.94	198.05	197.98	196.84	198.94 (6/10)	154.98 (3/1)	198.94 (6/10/89)	4.46 (25/4/42)
Amex Mkt. Value	395.93	394.43	394.36	393.02	395.93 (6/10)	305.24 (3/1)	395.93 (6/10/89)	29.31 (9/12/72)
NASDAQ Composite	483.64	480.66	479.32	477.28	483.64 (6/10)	378.56 (3/1)	483.64 (6/10/89)	54.87 (31/10/72)

	Sep 29	Sep 22	Sep 15	year ago (approx.)
Dow Industrial Div. Yield	3.74	3.75	3.76	3.70
	Oct 4	Sep 27	Sep 20	year ago (approx.)
S & P Industrial div. yield	2.82	2.90	2.87	3.19
S & P Indl. P/E ratio	14.95	14.42	14.49	13.03

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
USX	4,880,500	38½	+ ⅛
AMR	3,886,200	103¼	+ 3⅞
Chevron	2,767,400	66	+ 1⅛
Texaco	2,605,500	53¼	+ 1⅝
Natl Ed	1,805,800	8⅛	− 3⅛
Savin Bus	1,765,000	⅞	+ 1/16
Paramount	1,764,900	62⅝	+ ½
Exxon	1,727,800	45⅛	+ ¼
General Elec	1,700,900	58⅞	+ ½
Amer Family	1,644,300	22	+ 1⅛

TRADING ACTIVITY

† Volume (Millions)	Oct 6	Oct 5	Oct 4
New York	172.520	177.890	194.990
Amex	15.534	15.616	15.390
NASDAQ	155.993	151.092	164.357
Issues Traded	1,950	1,959	1,971
Rises	767	736	812
Falls	656	732	652
Unchanged	527	491	507
New Highs	150	120	147
New Lows	24	23	18

CANADA

TORONTO	Oct 6	Oct 5	Oct 4	Oct 3	1989 HIGH	1989 LOW
Metals & Minerals	3748.9	3781.6	3774.8	3797.8	3919.2 (1/9)	3207.5 (3/1)
Composite	4037.8	4023.1	4019.7	4011.9	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	2063.26	2059.55	2053.13	2047.05	2063.26 (6/10)	1677.48 (3/1)

Base values of all Indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct 6	Oct 5	Oct 4	Oct 3	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1772.9	1772.5	1775.6	1772.1	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	863.2	865.1	867.0	863.3	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	505.66	502.24	494.71	484.78	505.66 (6/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6700.32	6698.41	6665.28	6619.56	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	333.98	331.54	328.52	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	677.6	680.9	681.4	684.7	815.8 (18/4)	674.8 (27/9)
FRANCE						
CAC General (31/12/82)	555.0	550.6	550.1	542.9	557.3 (29/9)	417.9 (4/1)
Ind. Tendance(30/12/88)	127.1	125.9	125.7	124.9	127.1 (6/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	684.38	678.43	678.89	672.13	685.92 (8/9)	535.78 (27/2)
Commerzbank (1/12/53)	2044.4	2027.5	2028.9	2008.1	2052.1 (8/9)	1595.7 (27/2)
DAX (30/12/87)	1624.86	1616.21	1613.27	1602.40	1657.61 (8/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2826.21	2803.17	2794.39	2786.65	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1778.36	1776.64	1778.54	1773.50	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	690.22	694.53	699.04	697.43	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	35209.35	35522.99	35382.80	35366.37	35689.98 (28/9)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2659.38	2676.99	2679.40	2688.80	2703.58 (2/10)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	270.1	268.6	268.2	266.7	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	207.7	206.5	206.2	205.1	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	686.62	685.00	687.52	684.13	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1216.45	1159.21	1121.83	1114.74	1217.44 (10/8)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1413.15	1404.98	1408.26	1388.32	1420.52 (13/9)	1090.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1574.0‡	1609.0	1620.0	1620.0	1710.0 (27/9)	1291.0 (15/2)
JSE Industrial (28/9/78)	2707.0‡	2711.0	2724.0	2724.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA						
Korea Comp Ex. (4/1/80)	922.85	925.11	929.28	(c)	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	323.20	323.31†	324.62	324.87	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4372.0	4370.7	4283.7	4337.3	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	811.0	807.4	799.3	790.5	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	9545.85	9317.76	9669.94	10043.96	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	688.56	688.00	680.63	668.82	724.93 (13/9)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	546.5	547.3	548.2	551.2 (3/8)	487.6 (13/6)

**Saturday Sept. 30: Taiwan Weighted price: 10180.84

† Corrected figure.
‡ Subject to official recalculation.
Base values of all Indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Friday October 6 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fuji Film	22.5m	5,280	+400	Pioneer	7.2m	8,160	+130
Nippon Steel	12.7m	717	-9	Amada	6.4m	2,140	+70
Toyo Menka	11.3m	874	-1	Renown	6.2m	1,410	+50
MHI	8.9m	1,050	-30	Yamatake	6.2m	3,880	+200
Toshiba	8.8m	1,140	0				

4pm prices October 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
37⅞	21¼	AAR	.44	1.2	22	47	36⅛	36¼	36⅛	– ⅛
9⅞	8⅞	ACM n	1.01	11.		68	9⅛	9	9⅛	
11⅝	10¼	ACMIn	1.25a	11.		x562	11½	11⅜	11½	+ ⅛
10⅛	5	ACM M	n1.01	11.		211	9	8⅞	9	+ ⅛
11½	10	ACM Sc	1.26	11.		1005	11⅛	11⅛	11⅛	
9⅞	8⅞	ACMSp	1.01	11.		288	9	8⅞	9	
10	11½	AL Lab	.12	.7	15	35	18⅞	16⅝	18⅞	+ ⅝
5⅛	4½	AM Intl			15	399	5⅝	5½	5⅝	
23½	20⅞	AM In pf	9	8.7		92	20	22⅞	22⅞	+ ⅛
107⅛	46½	AMR			12	36799	104½	100⅞	100½	+5⅞
27	25	ANR pf	2.67	10.		2	25¾	26⅛	26⅞	– ⅛
7⅞	3⅝	ARX				57	4⅛	4	4⅛	
49⅞	37⅛	ASA	3a	5.7		497	44¾	44⅛	44½	+ ⅛
30⅛	16⅛	AVX	.24	.8	13	1713	29⅛	29⅛	29⅛	– ⅛
31	44⅛	AbtLab	1.40	2.1	10	x3334	31	65⅝	67	+ ⅛
15⅛	13⅛	Abitibi g	1			28	14½	14½	14½	
19	7½	AcmeC	.40	3.7		205	10⅞	10⅛	10⅞	
9⅛	5⅞	AcmeE	.32	3.0	11	2	9⅛	9⅛	9⅛	
37⅞	29⅛	Acuson			28	322	u38½	37¾	38½	+ ⅞
17	14⅛	AdaEx	1.82e	11.		154	15⅞	16⅛	16⅛	+ ⅛
12⅝	5½	Adobe				135	12⅛	10⅝	10⅞	+ ⅛
19⅞	18½	Adob pf	1.84	9.7		4	19	19	19	
21⅛	12⅞	Adob pf	2.40	11.		13	21½	21½	21½	
10½	7⅛	AMD				1057	8⅝	8⅞	8⅞	+ ⅛
36	29¼	AMD pf	3	9.6		4	30⅝	30⅞	30⅝	– ⅛
10⅛	8⅛	Advest	.12	1.4	10	25	5⅞	8⅛	9⅛	– ⅛
60⅛	48	AetnLf	2.76	4.5	6	2298	59⅝	59	59½	+ ½
14	12⅞	AflPb				1590	13⅞	13⅛	13⅞	– ⅛
24⅜	15⅛	Ahmans	.88	3.9	10	4361	u25	24⅛	24⅞	– ⅛
4⅛	9⅛	Aileen				61	5⅝	3⅛	3⅛	
48¾	67⅞	AirPrd	1.32	2.8	12	609	47⅛	46⅝	46¾	+ ⅛
27⅛	17⅝	AirbFrt	.60	1.6	24	647	u38	37	37	+ ½
25⅜	14⅛	Airgas			14	98	28⅛	28⅞	28⅛	+ ½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
89	75⅝	PSEG pf7.70		9.1		z30	85	85	85	
67	78	PSEG pf8.08		9.5		z120	85	85	85	−1
3⅜	2	Publick				28	2⅜	2¼	2½	−⅛
69½	41⅛	PR Cem	.55a	1.1	7	7	57¼	56⅞	57¼	+⅜
22⅜	18	PugetP	1.76	8.1	10	614	21⅝	21½	21⅝	+⅛
12	12	PDPI n				90	12	12	12	
12⅜	12½	PDIF n				54	12½	12½	12½	
8⅜	7	PHICB	.85	11.		287	7⅝	7⅝	7⅝	
10⅜	8⅝	PHYM n	.79	7.9		289	9⅞	9⅝	9⅞	+⅛
9⅝	8⅝	PIGIT	1.01	11.		485	9⅛	9	9⅛	
10⅛	8⅞	PMM	n.75a	7.7		156	9⅞	5¼	9⅞	−⅛
9½	8⅛	PMIT	1.03a	12.		547	8⅝	8½	8⅝	−⅛
9⅝	8½	PMIT	1.10e	12.		810	9	8⅞	9	+⅛
9¾	8¾	PPrIT	1.14	13.		1631	8⅞	8⅝	8⅞	+⅛
12	8	QMS				477	12	11⅛	11⅞	
1	5-16	Qantel				96	9-16	9-16	9-16	−1-16
68⅞	49½	QuakrO	1.40	2.2	20	4305	63⅝	62⅞	63½	+⅜
21⅛	14½	QuakSC	.80	4.9	26	2300	16⅜	16⅛	16⅜	+⅛
16	12½	Quanex	.32	2.1	7	110	15⅝	15½	15½	−⅛
31⅛	26⅜	Quanx pf2.28		8.3		5	27½	27½	27½	−⅛
59½	35½	Quantm	6	5.4	2	1357	36⅛	d35⅛	35¾	+⅛
12⅜	10⅞	QstVl	1.20a	9.6		340	12½	12⅛	12½	
12⅛	7⅛	QstVC				331	13⅛	13⅛	13⅛	−⅛
38½	31	Questar	1.88	5.0	28	76	37½	37⅛	37½	
15⅜	12⅛	QkRelly	.24	1.4	16	86	17	16⅞	17	
		−R−R−R−								
72	16⅞	RAC In	a1.20	11.		101	10⅞	10⅝	10⅞	−⅛
9⅞	1⅞	RAC	.72e	29.	14	216	2½	2⅜	2½	−⅛
10½	8	RLC	.20b	2.3	9	45	8⅝	8½	8⅝	
9⅝	7⅛	RLI Cp	.40	4.8	5	43	8½	8⅜	8⅜	−⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
69	52⅞	Xerox	3	4.5	18	1701	66⅛	65⅞	65⅞	+⅛
48⅞	44½	Xerox pf4.13		8.8		1	47	47	47	+⅛
44⅞	27	XTRA	.72	2.6	8	98	27½	27⅛	27⅛	−⅛
33	23⅞	XTRA pf1.94		8.1		72	24	23⅞	24	−⅛
4⅛	2	Zapata				186	2½	2⅜	2⅜	
15½	8½	Zemex	.40	4.2		17	9⅝	9½	9⅝	
22⅞	14	ZenithE				1331	16⅛	15⅞	16⅛	−⅛
10⅜	5⅛	Zenlnc	1.28	15.		208	8⅛	8⅛	8⅛	
2⅛	⅛	vjZenLb				3463	11-16	½	½	−1-16
21½	15	ZeroN	.84	4.4	8	17	19⅛	19⅛	19⅛	
14½	12⅛	Zero e	.40	2.3	14	255	17⅞	17⅛	17⅛	−⅛
44⅛	33⅞	Zurn	.88	1.8	20	150	42	41⅞	41⅞	−⅛
12⅞	12	Zweig	1.12e	9.3		z523	12⅛	12	12	+⅛
10⅛	8¾	ZweigTl	.96	10.		1598	9½	9⅜	9½	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices October 6

OVER-THE-COUNTER

Nasdaq national market, 4pm prices October 6

Stock	Div.	E	Sales 100s	High	Low	Last	Chng
WmorG		26	1	22¼	22¼	22¼	−⅛
Weston		21	892	12	11⅛	11⅛	−1⅛
WstwOn			830	12	11½	11⅝	−⅛
Wetterau	.80	10	287	31	30⅝	30⅝	−½
Whickb		27	280	10	16⅝	16	+⅜
WilyJ A	1.16	105	1208	68⅛	67½	30⅛	
Willamt	1.45	6	543	33⅛	88⅛	82⅞	−⅛
WmSon s		86	835	25½	20	25⅛	+⅛
WilmTr	1.24	13	94	40½	41½	42½	+1⅛
WiscTy		21	17	12⅛	13⅛	13⅛	+½
WiserO	.40	49	216	19	18⅝	19	+⅜
Wolohn	.20	10	204	20⅞	20⅛	20⅛	−⅜
WivEx b			536	6⅝	9	6⅛	+½
Worthg	.60	17	1282	24⅛	23⅛	23⅞	+⅛
Wyman	.80	175	54	18	17½	17½	
−X−Y−Z−							
XL Dta s		16	240	25½	23⅞	24⅛	−1
XOMA			3328	u23⅛	22½	22⅞	+⅛
Xicor		10	462	5⅛	6	6⅛	
YanEnS	.36e		184	22	21½	21⅞	+⅛
YelowF	.76	16	1188	28⅛	36	20	−⅛
YorkRs			1020	7	6⅛	6⅞	−⅛
ZionUt	1.44		40	31⅛	30⅞	30⅞	+⅛

The Business Column

Europe's music of the spheres

A feature of the European financial landscape these days is the growing number of links between banks, insurance companies and securities houses. Some of them are grand alliances, but the vast majority are small cross-shareholdings intended to signal friendship rather than merger.

The vast majority also mean little in isolation. But when pulled together they produce an impressive-looking web of links. Just how extensive this web has become is illustrated in a new report by Shearson Lehman Hutton called "The secret restructuring of *European financial services*."

The report identifies eight separate webs, or "constellations". One of the most complicated is that clustered around the Paribas/Pargesa/Groupe Bruxelles Lambert alliance with no fewer than 32 institutions, all linked by shareholdings. Through it you can trace, if yon wish, a connection between names as diverse as Union Bank of Switzerland and Drexel Burnham Lambert (the route goes through a bank called Banca Internazionale Lombarda), or Sumitomo Bank and Ferruzzi (via Paribas), or PK Banken of Sweden and London's Henry Ansbacher.

Another diagram shows the constellation round Carlo De Benedetti's Cerus group. Here the links connect Deutsche Bank, Lazards, BNP and even the report's own enthor, Shearson Lehman Hntton. Since this diagram also contains Axa-Midi and Banca Internazionale Lombarda which appeared in the first diagram, yon could link the two up into a grand superconstellation.

European impetus

Other constellations revolve around Hambros/San Paolo di Torino, Allianz, Europartners, Banco Santander, Kansallis-Osake-Pankki, and Scandinavian Banking Partners.

It is all fascinating stuff. But the real question is: does it really amount to anything? Shearson thinks it does, for a number of reasons.

One is because these groupings closely reflect the level of enthusiasm in particular countries for the idea of European unification and 1992, with the Italians and the French particularly prominent, the Germans cautious and the British standoffish. There is therefore a pan-European impetus behind them. The second is that certain groups, particularly those which incorporate the Paribas and Suez/Cofide/Mediobanca interests "have become immensely powerful," in Shearson's view. For example, many members of the Paribas constellation are helping Sir James Goldsmith in his £13bn bid for BAT Industries.

The third is that these groupings reflect the growing convergence of the banking and insurance sectors which, *by developing their own cultures*, will draw their members into a common "operating framework" over time.

But is Shearson not reading too much into all of this?

Clubby culture

Even ignoring the Machiavellian tone of the report's title, it is hard to imagine that these sprawling constellations move with that much of a common purpose, or that a strong *sense of loyalty extends far* beyond the core members.

It is much more likely that the biggest constellations have grown out of the particular culture of European finance where banks habitually bny stakes in clients and other financial institutions — a practice which always looks conspiratorial to the Anglo-Saxon eye.

The most powerful constellations also owe more to the individuals behind them than to any conscious European restructuring: men like Albert Frère and Gérard Eskenazi of GBL, Pierre Moussa of Pallas, and De Benedetti — all highly entrepreneurial types who like to have fingers in many pies, and have been building their webs for years.

What the constellations could be telling us, though, is that the pan-European structures of the future may consist of large, rather vaguely defined groups of interest, rather than the clear-cut alliances between *individual* banks which everyone seems to be expecting. This would, after all, fit the financial culture of a big part of the EC.

David Lascelles

THE MONDAY INTERVIEW

Concern for the health of nations

Sir Shridath Ramphal, Secretary-General of the Commonwealth, talks to **Robert Mauthner**

Commonwealth Heads of Government prepare for their biennial get-together in Kuala Lumpur next week with the usual mixed feelings about the relevance of their organisation and doubts about its future. They will celebrate the fortieth anniversary of the modern Commonwealth's foundation with some amazement that the conflict of interests between its far-flung and culturally diverse members has not led to its demise a long time ago.

That conflict of interest has become all too clear over the past ten years, during which the problems of Southern Africa have increasingly dominated Commonwealth meetings. The contentious issue of sanctions against South Africa, which monopolised the energies of the 48 leaders at the last two summits in Vancouver and Nassau, will again figure prominently in the discussions at Kuala Lumpur, in spite of strenuous attempts by Britain and some other members to lower the temperature.

Sir Shridath Ramphal, the Commonwealth's ebullient Secretary-General, who declines to use his title and likes to be known as plain Mr "Sonny" Ramphal, has done as much as anyone to drum up support for sanctions over the years. But, after the dust-up and stalemate in 1987 in Vancouver, where Mrs Margaret Thatcher, though isolated, refused to endorse tighter sanctions, he too has made it clear that he will try to take the sting out of the issue in Kuala Lumpur.

"South Africa will always be the news-getter," he said in an interview. "Even if we spent only 10 minntes on South Africa, it's going to be replayed in the media as if it occupied a whole day. But I don't complain about that. South Africa is news and the differences within the Commonwealth are news, even though at Vancouver we *did a lot of other things* such as establishing a Commonwealth of learning and adopting important positions for the Uruguay Round of trade negotiations."

"At Kuala Lumpur South Africa will be prominent, but I don't think it will be dominant, and I don't think it will be the subject of quarrels. I don't think there will be a push for further sanctions now.

"I believe that most Commonwealth countries will say that there may well be a case for enlarged sanctions in the future. That will depend a great deal on what happens in South Africa. Bob Hawke (the Australian Prime Minister) will say it is very necessary to sustain the pressure on Sonth Africa and, in particular, to recognise that there is a window of opportunity of pressure that arises next year in the form of the rescheduling of the South African debt.

"That is a major opportunity for the international community to say to Mr de Klerk (the South African President) that if he doesn't use the time now to translate his promises into reality and to make that process irreversible, he will not be able to count on any favours from the international community. That is not even sanctions. That is saying: don't come to us for help unless you have taken substantial steps to end apartheid and to discuss the future of your country with leaders of the black community."

PERSONAL FILE

- **1928** Born New Amsterdam, Guyana. Studied law at Kings College, London.
- **1959-61** Solicitor General of Guyana
- **1965-73** Attorney General of Guyana
- **1966** Drafts Guyana's independence constitution
- **1975** Elected Secretary-General of the Commonwealth. Re-elected 1980 and 1985.
- **1984-6** Chairman of UN committee on development planning

That is a view the British Prime Minister would not find it difficult to share. On the fundamental issue of sanctions, however, there is no agreement. Unlike Mrs Thatcher, who adamantly opposes official comprehensive sanctions because she maintains that they would harm mainly the black community of South Africa, Mr Ramphal maintains that no distinction should be made between government and voluntary private sector sanctions, because they complement each other.

"I don't think that private sanctions would ever have taken place without public action; without official sanctions and without *the force of* public opinion." Organisations like Barclays Bank certainly pulled out of South Africa for business rather than moral reasons. But the business climate itself was a reflection of the debates on South Africa between governments and the lead given by the US Congress, he emphasises.

Genial and cherubic though the 61-year-old Mr Ramphal may appear, he is far from being everybody's cup of tea. The British Government, in particular, has frequently found him to be an irritatingly sharp critic of its policies, not least in Southern Africa. Yet even his most bitter opponents concede that during his 14 years as Secretary-General — he is due to retire next year — he has acted as something of a life support machine for an organisation which appeared to be dying on its feet.

His passionate condemnation of racism and espousal of Third World causes, which spring from his Caribbean background and East Indian roots, have contributed in no small measure to keeping the "new" Commonwealth countries within the group. The price he has had to pay for this achievement is a certain alienation of the founder member of the family, Britain, which, under Mrs Thatcher's government at least, no longer feels as close to the other members as it once did.

What has annoyed Mrs Thatcher and successive British Foreign Secretaries most about Mr Ramphal, apart from *the poetic emotionalism* of some of his pronouncements, is the high profile he has adopted in Commonwealth debates and negotiations on Southern Africa and sanctions against Pretoria. The British Government believes that Mr Ramphal should behave more discreetly, in keeping with his position of a senior international civil servant, a prescription which hardly suits his expansive Caribbean temperament.

The other objection to Sonny Ramphal's stewardship that is often heard is that his criticism of countries is not even-handed. South Africa is constantly lambasted for its apartheid policies, as is Britain for *its failure to support* comprehensive sanctions. But a discreet veil is drawn over the shortcomings of some Commonwealth countries like Zambia, Kenya, Zimbabwe, Malawi and Tanzania, at best imperfect practitioners of democracy and human rights.

Such accusations incense the normally equahle Secretary-General. "When you eccuse me of *double standards*," he fumes, "point me to another South Africa in the Commonwealth or anything remotely like it. We did have one. We had Idi Amin (formerly President of Uganda) and I did speak up and urged the Commonwealth to speak up. It wasn't easy. Uganda was a sitting member."

His desire to play a leading role in matters in which he feels a deep personal involvement, notably led to clashes between Mr Ramphal and Lord Carrington, the former Foreign Secretary, at the time of the Lusaka Commonwealth summit in 1979 and the subsequent Rhodesian independence talks at Lancaster House. Mr Ramphal's version of those events differs substantially from Lord Carrington's account.

According to the Secretary-General, it was Commonwealth pressure which made a settlement on the independence of Zimbabwe possible. But Lord Carrington, who later said he would swim the Atlantic to prevent Sonny Ramphal from fulfilling his desire to become United Nations Secretary-General in succession to Dr Kurt Waldheim, was angered by what he considered to be Ramphal's "interference" in the organisation of fair and free elections in Zimbabwe.

Ramphal, however, is unrepentant. "I lived to hear Robert Mugabe (Prime Minister of Zimbahwe) say in a pnblic speech in Harare at the beginning of this year that but for the Commonwealth role and particularly that of the Commonwealth election observers in Zimbabwe, the history of Zimbabwe might have been very different. Now that's something of a vindication."

To his credit, Sonny Ramphal's whole difficult relationship with the British government has left him without bitterness or resentment. In nearly 15 years in his job as Secretary-General, he somewhat *surprisingly claims* to have had "remarkably good and even relationships" with the British government. The rows had been "prominent exceptions" and there were occasions, such as the invasion of the Falklands, when he had made great efforts to mobilise support for Britain.

"It was not without contention in the Commonwealth. But I felt that the fundamental principles which were at stake were principles on which Britain was right.

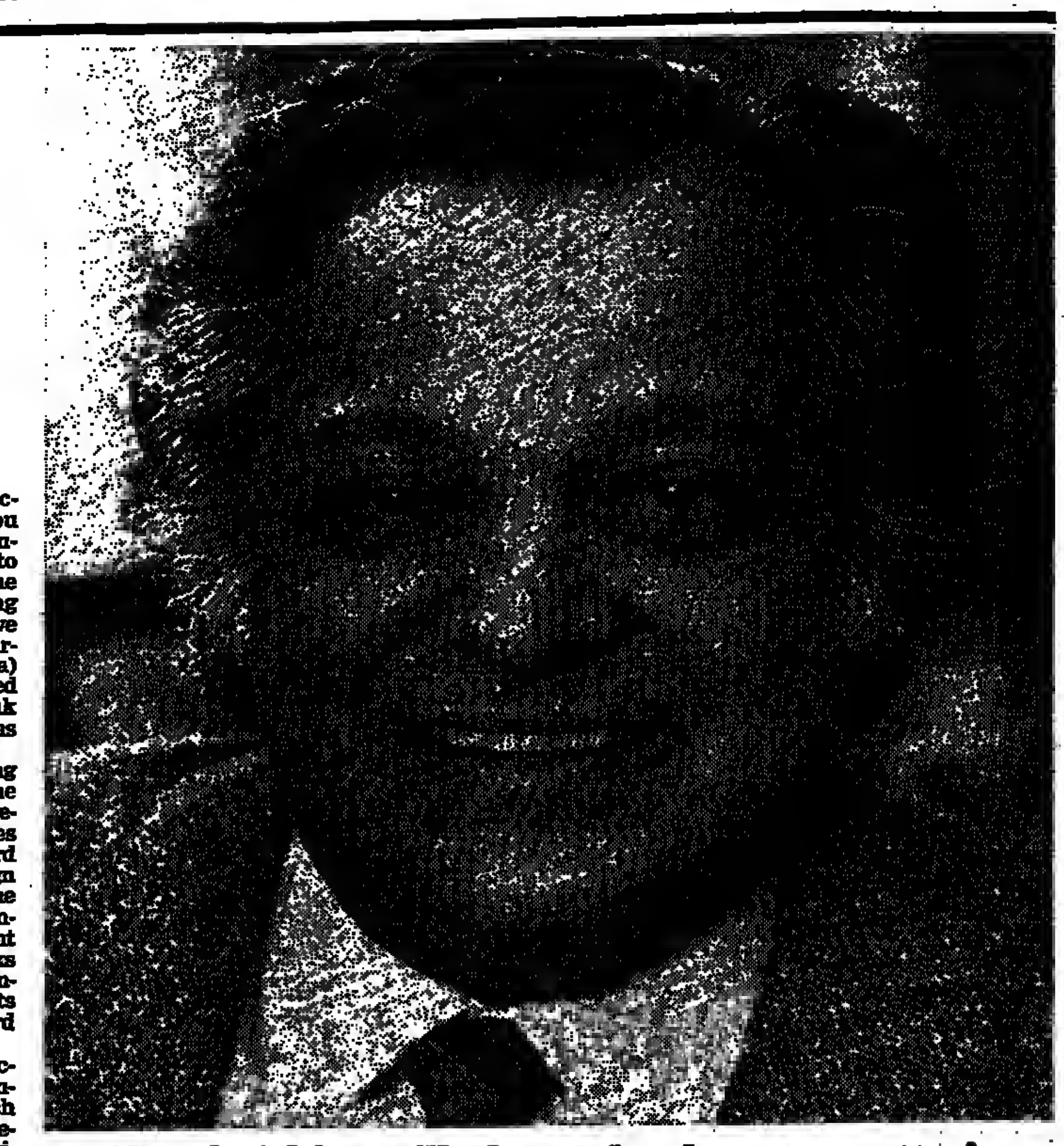
"Yes, we've had disagreements. But they were not so much personal disagreements, as occasions on which I had to say to the British government that the substantial weight of Commonwealth opinion is against this, that or the other line you have been taking.

"Given Britain's centrality in some of the events, it was almost inevitable that there would be times when the Commonwealth and the Secretary-General would be nudging Britain to go the further mile. I think on every occasion we did it and Britain went the further mile, it did itself credit.

"So I don't look back on that, sometimes bruising experience, as something undesirable or harmful. I think it was an occupational hazard. What I am pleased about is that there was never rancour. I had a lot of fights with Lord Carrington in particular. But we remain friends."

Sonny Ramphal will relinquish his post next June in the hope that his long experience can be put to use in some other international sphere or in education — he is both Chancellor of the University of Warwick and the University of the West Indies and is proud of having launched the Commonwealth distance learning programme.

Sonny Ramphal's farewell present in Kuala Lumpur is intended as an answer to his critics. Conscious that there is a new concern in the world about freedom and democracy, he will propose the creation of a standing group of Commonwealth observers to monitor elections in member countries. He will also suggest a far-ranging debate on the Commonwealth's future role in the world — many would say not before time.



'South Africa will always be the news-getter'

The hurly-burly of public debate

JUSTINIAN

Publishers generally, and not just proprietors and editors of newspapers, will be eagerly awaiting the reserved judgment of the Court of Appeal which last week heard Private Eye's appeal against the jury eward of £600,000 for a libel. The magazine had alleged that Mrs Sonia Sutcliffe had made a £250,000 deal with the Daily Mail to publish her story of married life with Mr Peter Sutcliffe, who was convicted in 1981 of a number of murders in Yorkshire. The Court indicated that it will hand down its judgment in two to three weeks' time.

It has been the size of the jury's award which has attracted most of the adverse comment, on the grounds that euch damages were inordinately excessive as well as reflecting far too great a differential with court awards for personal injuries. The award of £600,000 represents an unacceptable barrier to investigative journalism. Private Eye's counsel pressed the court for a re-trial on the grounds that evidence had emerged subsequent to the trial, indicating that Mr Sutcliffe had received £25,000 by e roundabout way, traceable in origin to the Mail on Sunday. He is quoted as saying *about investigative journalism*, that "there must be inevitable mistakes made in any such journalism."

At that point, the observer of the Englisb libel scene may reasonably cast envious eyes across the Atlantic, for US law relating to libel suits is much more solicitous about press freedom and less protective of the defamed than is English law. US laws require *private* plaintiffs to prove at least that the defendant publisher has been negligent with respect to the falsity of the words used (such a defence might conceivably have let Private Eye off the hook in the Sutcliffe case).

Plaintiffs who are public officials or public figures must go further. They must establish that the pnblisher knew *the* statement to be false, or had serious doubts about the veracity of what he was publishing. This stringent provision (known as the "actual malice" test) simply acknowledges that some factual errors are inevitable in the hurly-burly of public debate. Discussion of public affairs mnst have some "breathing space" or "margin of editorial judgment."

An astonishing example of this liberal approach — as tonishing at least to English eyes — comes out of a recent decision of a US Federal court. The Ninth US Circuit Court of Appeals has held that sometimes it is permissible for a journalist to mis-quote a speaker or author, or even to fabricate a quote. The Court had dismissed a libel suit brought by a psycho-analyst who claimed that a reporter who interviewed him had distorted or made np about a dozen of his quotes in a two-part article in the New Yorker magazine. The article had examined both the plaintiff's theories about Frend and also his dismissal from the post of director of the Sigmund Freud Archives. The reporter had quoted the psycho-analyst as saying that his superiors at the archives considered him "an intellectual gigolo — you get pleasure from him, bnt you don't take him out in public." Transcripts of the interview tapes reveal that the psycho-analyst had said only that his snperiors enjoyed his comments in private but thought he was "much too junior to be caught dead with in public." The reporter claimed that the "gigolo" remark came in part of an untaped interview.

The Court accepted that the psycho-analyst had been mis*quoted*, but because he conceded that he was a public figure the Court applied the "actual malice" test in deciding whether there was any defence to the libel.

By that standard the Court held that an anthor may "under certain circumstances fictionalise quotations to some extent." The Court went on to say that malice on the part of the author and publisher was not to be inferred from evidence showing the quoted language did not contain the exact words used. So long as the fabricated quotations were either rational interpretations of ambiguous remarks made by the public figure, or did not alter the substantive content of unambiguous remarks actually made by the public figure, the publisher was protected from being liable in a libel action.

To American lawyers the decision is unremarkable. To make up or alter quotes is simply not to impose any legal culpability unless there is an intent to falsify the speaker'e meaning. To English lawyers the decision is remarkable. It seems to legitimise the journalist's power to distort what someone else has said. If that is not to assert a right to lie in print, it does at least license poor standards of journalistic reporting. The question is whether it is for the law or for journalists themselves to set the proper standards. In America the law stands aloof, leaving it to journalists to respect the responsibility which accompanies press freedom.

English law has so far made only a half-hearted attempt to cope with the problem of inaccuracies in reporting by newspapers. Section 4 of the Defamation Act 1952 is an exception to the rule that whoever libels another is strictly liable unless he proves the substantive truth of his statement, and incorporates the notion of unintentional defamation. But the provision is cumbersome in its phraseology and has in practice been resorted to very infrequently.

Without a more generous application of the principle that there should be no legal remedy if the libel is unintentional, the press in England will continue to be vulnerable to constant and expensive litigation. If, as is expected, the Court of Appeal sends the Private Eye case back for a fresh assessment of damages, it will at least give an impetus for reform of the libel laws, to the general benefit of publishing.